



SOMERS LIMITED



2018

ANNUAL REPORT

MANAGED BY  ICM

BANKING

ASSET FINANCING

WEALTH MANAGEMENT

Somers is a financial services investment company with a portfolio of high quality assets.

SHAREHOLDERS' FUNDS

US\$364.1

MILLION

ASSETS UNDER MANAGEMENT

US\$18.0

BILLION

CONCENTRATED PORTFOLIO WITH INTERESTS PRINCIPALLY
IN AUSTRALIA, BERMUDA AND THE UK.



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COMPANY INFORMATION

SOMERS LIMITED

NATURE OF THE COMPANY

Somers Limited is an exempted company incorporated in Bermuda with limited liability, whose shares are traded on the Bermuda Stock Exchange. The business of the Company consists 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 total risk. The Company has borrowings, the proceeds of which have been invested with the aim of enhancing returns to shareholders.

The Company has contracted with an external investment manager, ICM Limited (the “Investment Manager” or “ICM”) to manage its investments. The Company 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.

The Company’s shares are traded on the Bermuda Stock Exchange.

FINANCIAL CALENDAR

Year End	September 30
Annual General Meeting	February 6, 2019
Half Year	March 31
Dividends Payable	February and July

FORWARD-LOOKING STATEMENTS

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

Somers’ results are reported in US Dollars, unless otherwise stated. A number of its assets are priced in foreign currencies, particularly Sterling and Australian Dollars.

GEOGRAPHIC INVESTMENT EXPOSURE

BERMUDA
Fair Value \$115.3m
% Total Investments 28.6%

UNITED KINGDOM AND
IRELAND
Fair Value \$148.9m
% Total Investments 36.9%

AUSTRALIA
Fair Value \$132.5m
% Total Investments 32.9%



CORPORATE STRUCTURE

Investment holdings as at December 14, 2018



TOP FOUR HOLDINGS

BANKING / ASSET FINANCING



100.0%

Banking

Licensed bank in Bermuda with total assets of \$483 million

Focus on commercial banking and private banking / wealth management

ASSET FINANCING



62.2%

Non-bank Lender

Australian and New Zealand mortgage securitisation business

Loan portfolio in excess of A\$12.1 billion

BANKING / ASSET FINANCING



65.1%

Banking

A London Stock Exchange listed, UK licensed bank

Focus on retail banking and business banking

ASSET MANAGEMENT



62.5%

Wealth Management

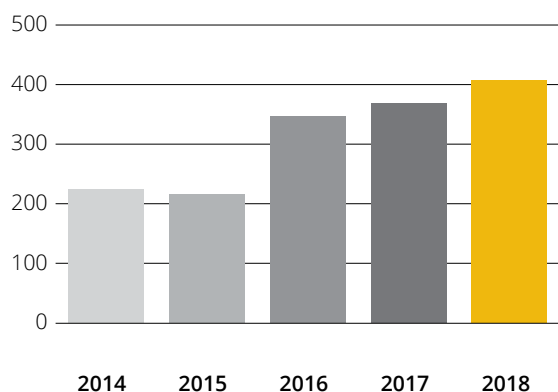
UK Private wealth management business

Assets under management of £5.9 billion

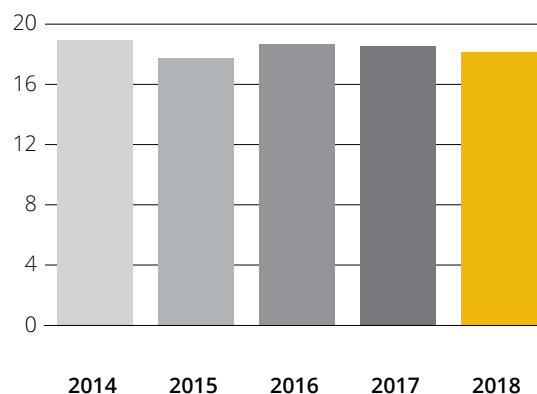
MANAGED BY ICM

FINANCIAL HIGHLIGHTS

TOTAL ASSETS – USD Million

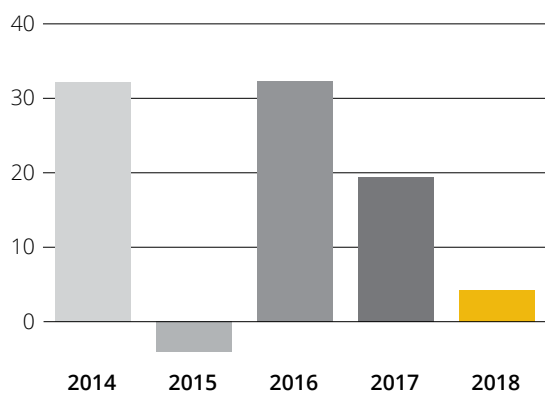


NAV per Common Share (diluted) – USD



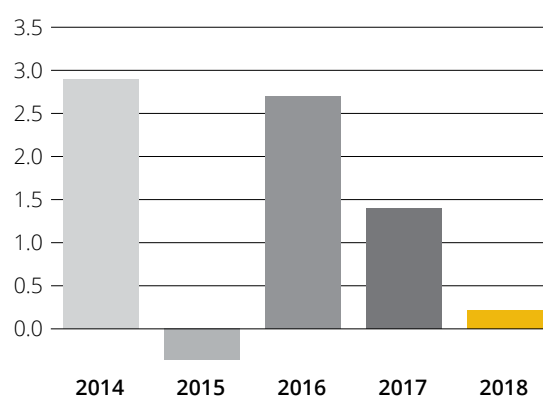
NET INCOME – USD Million

September 2014 to September 2018

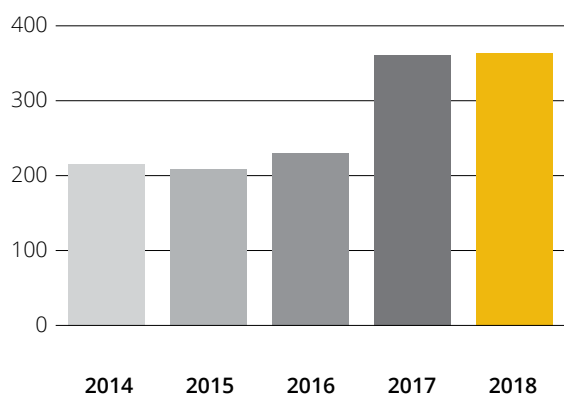


EARNINGS per Share (diluted) – USD

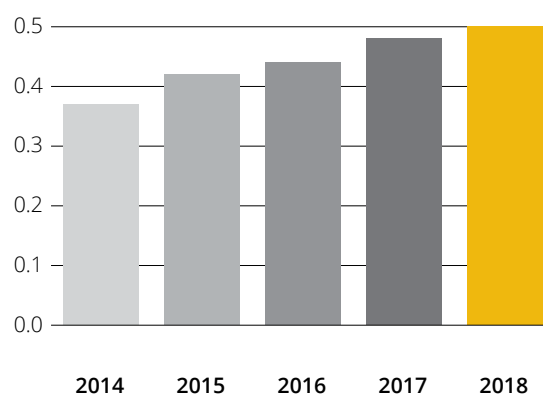
September 2014 to September 2018



TOTAL EQUITY – USD Million



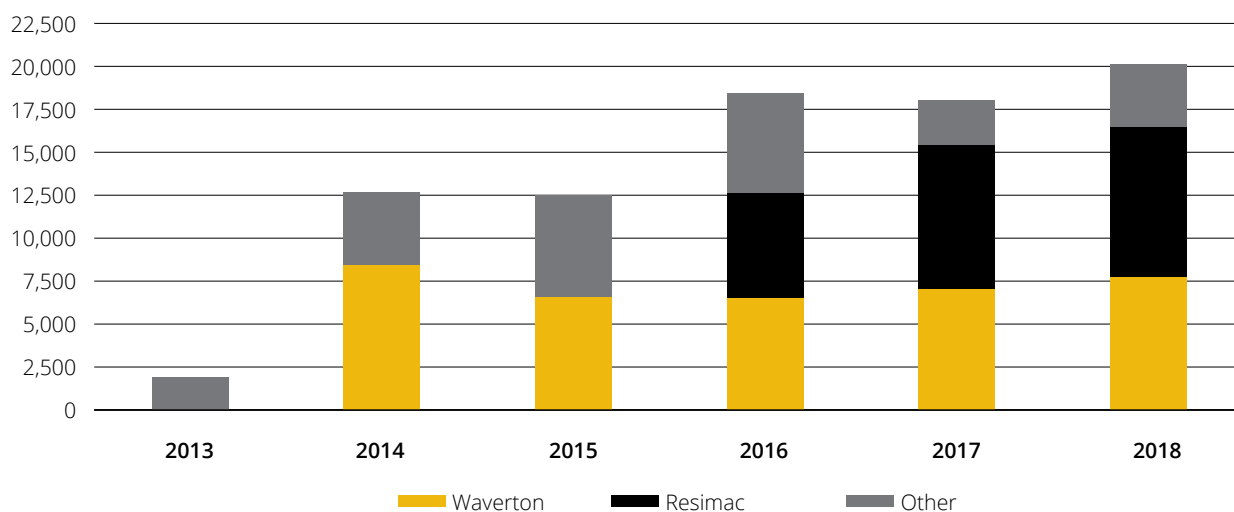
DIVIDEND per Common Share (diluted) – USD



FINANCIAL HIGHLIGHTS (continued)

Year ended September 30, 2018	2018	2017
NAV per Share	\$18.15	\$18.55
Share Price	\$16.00	\$14.00
Discount to NAV	11.86%	24.52%
Shares in Issuance (excluding shares held in treasury)	20.06m	19.48m
Total return per ordinary share	0.51%	1.88%
Total return per ordinary share excluding foreign exchange	3.19%	0.97%
Ordinary dividend per share	50.0c	48.0c
Cash from shares issued	\$9.15m	\$2.96m
Cash raised from warrants	\$0.00	\$33.62
Total assets	\$407.34m	\$368.14m

SOMERS GROUP AuM – USD Million



KEY HIGHLIGHTS

2017

NOVEMBER 2017

Disposal of investment in Rasmala plc

2018

FEBRUARY 2018

Resimac announce normalised interim profits increased by 57.3% on the prior year

APRIL 2018

PCF reaches milestone of £100 million in retail deposits

Acquisition of 38% of AKJ's issued share capital

MAY 2018

AKJ announced as the Winner of Best Hedge Fund Platform – Emerging Funds at the 2018 HFM European Services Awards

JUNE 2018

Acquisition of 94.5 million shares in PCF from BCB

Somers agrees £25 million lending facility from The Bank of N.T. Butterfield & Son Limited

AUGUST 2018

Resimac announces AuM of A\$12.1 billion

SEPTEMBER 2018

Waverton reports a record AuM of £5.9 billion

OCTOBER 2018

Completion of sale of investment in Merrion Capital

PCF reports that 2018 new business originations are 75% ahead of last year at £148m

2018 was a positive year with investee companies performing strongly, and Somers increasing its investment portfolio throughout the year.

CHAIRMAN'S STATEMENT



Overall I am pleased to report that 2018 was a positive year for our investee companies. This was against the backdrop of increasing concerns about global growth and increasingly volatile stock markets. Investments such as Resimac, Waverton and PCF have all reported strong earnings in 2018.

Whilst the underlying financial performance of many of our investments continues to be strong, foreign currency movements in Sterling and the Australian Dollar have adversely impacted the valuation of several of our larger investments. A significant portion of our assets are denominated in these currencies which has weakened against the US Dollar. However, despite the adverse foreign currency movements, Somers was able to record a profit for the year of \$4.2 million. Somers' net asset value ("NAV") per share decreased slightly to \$18.15.

In 2018, we continued to invest in our portfolio, notably through the acquisition of shares in PCF Group plc ("PCF"), which we acquired from our wholly owned subsidiary Bermuda Commercial Bank Limited ("BCB"). This transaction has provided BCB with significant capital to deploy going forward, at the same time ensuring Somers' shareholders could benefit from the anticipated growth in PCF's business and share price. We made a number of other smaller investments in 2018, including the acquisition of a 38% stake in AKJensen Group Limited. We did not realise any significant investments during the year, but post the year end we exited our investment in Merrion Capital. Overall, the composition of Somers' investee companies remains largely unchanged.

During the year the level of borrowings at Somers has increased. The bulk of the increase in the level of debt was to acquire the PCF shares from BCB. However, given Somers' asset base and the diverse nature of its investments, a gearing level of 11.4% remains relatively low. With rising interest rates, Somers takes a prudent approach to taking on debt and we believe we have further headroom to increase our debt levels in the event of any future attractive acquisition opportunities.

The Company's focus remains on delivering strong returns for our shareholders. We are currently fully invested, and as our capital grows and our investments

generate surplus cash which can be distributed to Somers in the form of dividends, we will continue to look to increase the portfolio where the strategic and financial case is strong.

Somers' share price continues to trade at a discount to its NAV. This is despite continued strong performance at the underlying investments and a dividend yield of over 3%. The Board continues to believe that Somers' share price does not fairly reflect the underlying value of the Company. As such we have continued to buy back shares, and during the year acquired 31,376 shares at an average price of \$14.72 per share. These shares were cancelled prior to year end.

The Board has resolved to pay a final dividend per share of \$0.29 (2017: \$0.28). The total dividend payment for the year was \$0.50 a share, an increase of \$0.02 per share compared to 2017.

In September we were pleased to welcome Peter Durhager to the Somers Board. With his significant experience in the financial and reinsurance sectors, Peter brings a different skillset which will strengthen the Board as we look to the future. Duncan Saville, who has served on Somers' Board since its incorporation in 2012, will be retiring at the AGM in February 2019. On behalf of all shareholders I would like to thank Duncan for his involvement over the last six years. We are delighted that he will remain actively involved with Somers as Chairman of the Company's investment adviser, ICM Limited.

We remain conscious that we are entering a period of uncertain global growth and we are in the later innings of the current economic cycle. Consequently, the increased volatility that we have seen in 2018 is likely to continue into 2019. In addition, the regulatory burden on our investments is not going to decrease, and in some instances is likely to increase in the short to medium term. Technology remains an area of disruption and differentiation in the financial services sector and we encourage our investment companies to embrace these developments. We believe that our investments are well placed to withstand more difficult market and economic conditions and to take advantage of the opportunities that will arise in the coming years.

A handwritten signature in black ink, reading "Warren J McLeland". The signature is written in a cursive style.

Warren McLeland

Chairman

December 14, 2018

ABOUT THE COMPANY

HIGHLIGHTS

2018 was a positive year for Somers, with strong underlying financial performances at most of our investments.

This year has ushered in a new period of market volatility which we believe is likely to continue as global growth starts to weaken and global interest rates continue to diverge. We believe our investments are well placed to withstand a more difficult economic and interest rate environment and continue their progress and growth.

We completed 2018 with US\$18.0 billion AuM, total assets of \$407.3 million, and a dividend yield of 3%.

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FINANCIAL REVIEW

Somers' financial highlights for the year ended September 30, 2018, are set out on page 5 and the results for the year are set out in the attached accounts.

Despite challenging market conditions Somers recorded net income of \$4.2 million for 2018 (2017: \$19.4 million) and shareholders' equity increased to \$364.1 million (2017: \$361.2 million). Earnings per share (on both a basic and fully diluted basis) were \$0.21 compared with basic and fully diluted earnings of \$1.40 in 2017. Following the payment to shareholders of \$0.49 of dividends in 2018, diluted NAV per share ended the year lower at \$18.15 (2017: \$18.55).

INCOME

Gains on Investments

Somers recorded a \$10.9 million gain on its investment portfolio for 2018 (2017: \$15.2 million). This gain comprised of realised and unrealised gains of \$1.8 million and \$9.1 million respectively (2017: \$nil and \$15.2 million respectively). Investment gains and losses result from changes in the valuations of the Company's investment and the 2018 gain was driven principally by valuation increases at Resimac and an increase in the PCF share price. Resimac's gain followed a 18.6% increase in their reported AuM while the appreciation in PCF's share price tracked their continued deposit and profitability growth. The valuations of West Hamilton and BCB decreased during the year due to the Company applying a discount to the value of its investment in West Hamilton to account for the current commercial property market in Bermuda while the decrease in BCB's valuation resulted from the delay in the implementation of their strategic plan.

Net Interest Income

Interest income totalled \$0.3 million (2017: \$1.0 million), with \$0.1 million (2017: \$0.5 million) generated from convertible loan notes and \$0.2 million (2017: \$0.5 million) generated from lending to the Company's investments. Following net repayments over the last two years, the balance of such holdings has reduced resulting in lower interest income.

Interest expense was \$1.0 million in 2018 (2017: \$1.3 million) following a decrease in average borrowing levels. However, following an increase in borrowing levels in the fourth quarter of 2018 to finance the acquisition of PCF shares from BCB, interest expense is projected to increase in 2019.

Dividend Income

Somers received distributions of \$7.6 million during the year compared to \$4.1 million a year ago. Of the dividends received, \$3.3 million was received from Resimac and \$4.1 million was received from Waverton, both of whom are generating positive levels of earnings and cash flow.

Foreign Exchange Movements

Net foreign exchange losses were \$9.9 million for the year (2017: gain of \$3.3 million). \$134 million of Somers' assets are denominated in Australian Dollars and a further \$117 million are denominated in Sterling, and during the year these currencies depreciated against the US Dollar by 7.8% and 2.8% respectively. These losses were primarily unrealised. Currency risk is an integral consideration when making investments into non-US Dollar denominated assets and the Investment Manager monitors currency movements on an ongoing basis. Foreign currency policy is discussed with the Board of Directors on a regular basis and asset allocation or currency risk strategies may be altered as a result. There is no regular hedging of foreign currency as the Company is a long term investor and currency fluctuations are expected to equal out over time. The Company may however engage in currency hedging to limit Somers' exposure to currency fluctuations and during the year Somers entered into a number of Sterling and Australian Dollar hedges that resulted in a gain for the year of \$2.2 million. There were no open currency hedges at year end.

The net assets of the Company by currency and the sensitivity for further currency movements are shown in note 17 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.

Investment management fees are based on a fixed percentage of qualifying portfolio assets and during the year these qualifying assets increased substantially compared to 2017, with a corresponding increase in investment management fees to \$2.1 million (2017: \$1.2 million). As in 2017, no performance management fee was accrued for 2018. 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 2018 or 2017.

Excluding investment management fees, the remaining expenses, totalling \$1.6 million, stayed at the same level as 2017. 2018 expenses included \$0.3 million of loan arrangement fees while 2017 expenses were impacted by transaction legal costs and restructuring costs. As these expenses are not considered recurring, it is anticipated that the overall level of operating costs will reduce in 2019 despite an expected increase in average assets.

ASSETS

Total assets ended the year at \$407.3 million from \$368.1 million a year earlier. This increase in Somers' balance sheet resulted primarily from valuation gains on the Resimac holding and the loan-funded acquisition of PCF shares from BCB.

Financial Investments

The investment portfolio was \$403.0 million at year end (2017: \$361.0 million) with equity investments (\$399.1 million) accounting for 99.0% of this total. The remaining 1.0% (\$3.9 million) consisted of convertible loan note investments.

Within investments, Resimac at \$129.7 million (2017: \$107.5 million), BCB at \$94.9 million (2017: \$102.5 million), Waverton at \$77.0 million (2017: \$85.1 million) and PCF at \$58.6 million together represent 89.4% of total investments. It is anticipated that this concentration will

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 setting out the Company's significant investments is provided on page 27, and individual company details are provided in the Summary of Core Investments section of this report.

Total investment purchases in 2018 were \$50.6 million (2017: \$18.6 million) and total 2018 disposals were \$6.5 million (2017: \$14.3 million). Somers is a mid to long term investor with a strategy of supporting and growing 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 2018 was funded primarily through a new £25 million bank loan facility. The following key investments were made during the year:

- Acquisition of 94.5 million PCF shares from BCB for a total consideration of £29.3 million;
- Acquisition of an additional 16.5 million shares (A\$7.8 million) in Resimac increasing the holding to 62.3% as at September 30, 2018; and
- Investment of \$4.0 million in AK Jensen Group.

Loans and Receivables

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, 2018, such loan balances were \$1.7 million (2017: \$2.7 million). The year on year reduction resulted primarily from the scheduled repayment by Stockdale Securities Limited of its outstanding loan balance.

BORROWINGS

External borrowings will only be undertaken where 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 Somers' investment objectives.

FINANCIAL REVIEW (continued)

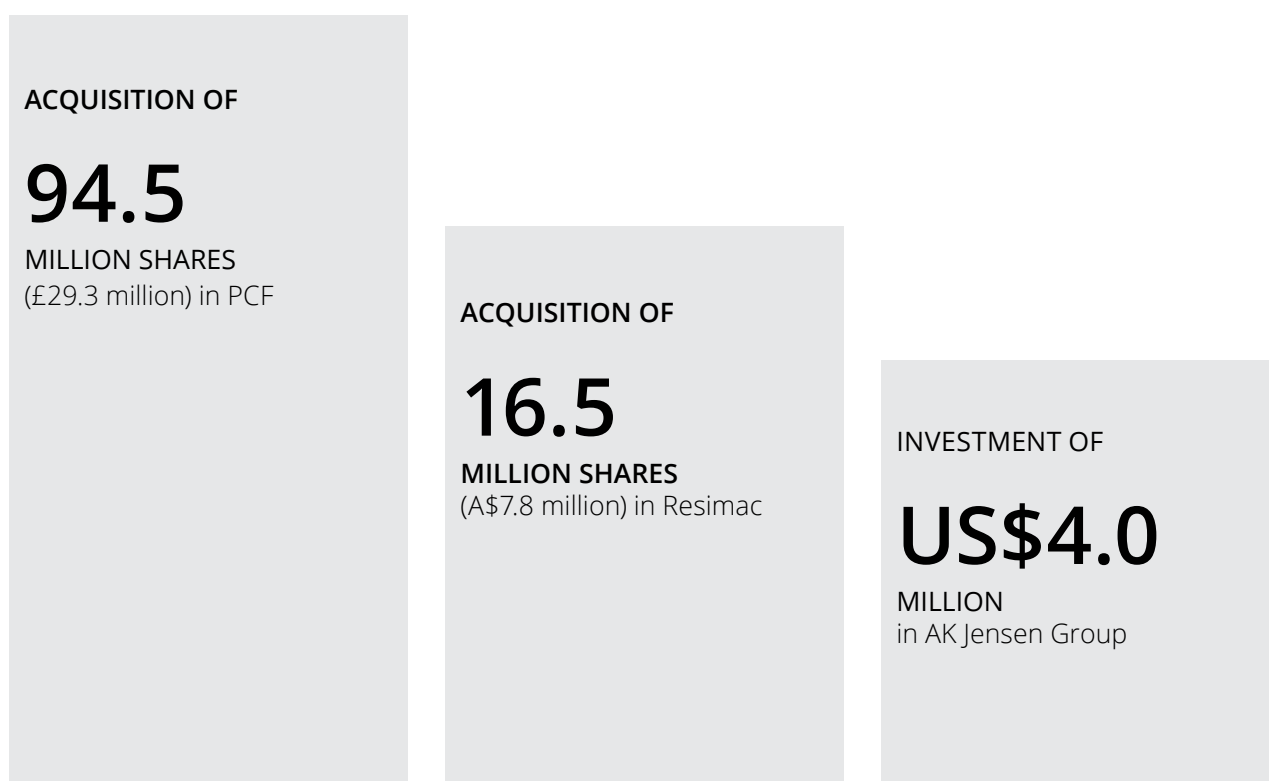
Somers' borrowings increased to \$41.5 million at September 30, 2018, from \$4.5 million a year earlier. Borrowings consisted of bank loans of \$37.1 million (2017: \$4.5 million), and non-bank loans of \$4.5 million (2017: \$nil). The bank loans consisted of a £25 million loan from The Bank of N.T. Butterfield & Son Limited and a \$4.5 million loan from BCB. The non-bank loans were provided by UIL Limited, a major shareholder of the Company.

The 2018 borrowings were utilised primarily for the acquisition of 94.5 million PCF shares from BCB.

SHAREHOLDERS' EQUITY

Shareholders' equity increased to \$364.1 million at September 30, 2018 from \$361.2 million a year ago. During the year shareholders invested \$9.1 million of the \$9.6 million dividends paid since September 2017, under the dividend reinvestment plan and Somers bought back 31,376 shares at a cost of \$0.5 million. The net result from these actions was an increase in the number of issued shares to 20,058,261 as at September 30, 2018 (2017: 19,475,459).

Somers' share price ended the year at \$16.00 up from \$14.00 at September 30, 2017 and the closing diluted NAV per share was \$18.15 (2017: \$18.55).



INVESTMENT MANAGER'S REPORT



ICM is the Investment Manager of Somers.

OVERVIEW

Somers reported a profit of \$4.2 million for the twelve months to September 30, 2018, driven by increased valuations at Resimac and PCF. These increased valuations were partially

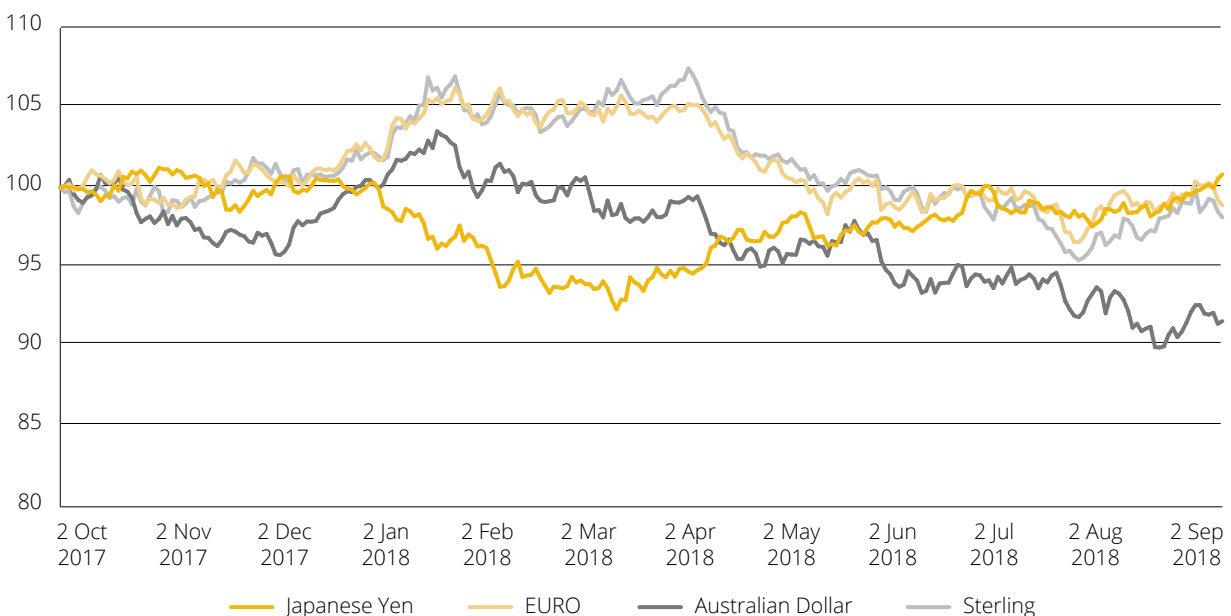
offset by foreign currency movements and a fall in the value of West Hamilton and BCB. Global capital markets have been more volatile over the last 12 months as central banks start to tighten and interest rates rise. The global economy is beginning to bifurcate with strong growth in the US driven by record corporate profits on the back of a significant corporate tax cut offset by weakening growth in Europe and China. The S&P 500 increased by 15.7% since October 1, 2017, and over the same period the FTSE 100 Total Return Index increased by 6.1%.

Equity markets have for the most part moved sideways over the last 12 months with increasing volatility as 2018 progressed. Currency markets have continued to be

unpredictable with significant movements throughout the year. The US Dollar has strengthened during the year and with uncertainty about global growth and rising US interest rates we anticipate that the US Dollar will continue to be a safe haven for investors. The value of Sterling continues to be impacted by the prospect of Brexit and with uncertainty this will continue until there is a definitive resolution and agreement on the way forward for the UK. Consequently during the year, Sterling fell by 2.8% against the US Dollar. Somers other significant currency exposure is to the Australian Dollar, principally through its investment in Resimac. With the Australian economy cooling and commodity prices remaining weak the Australian Dollar fell by 7.8% against the US Dollar.

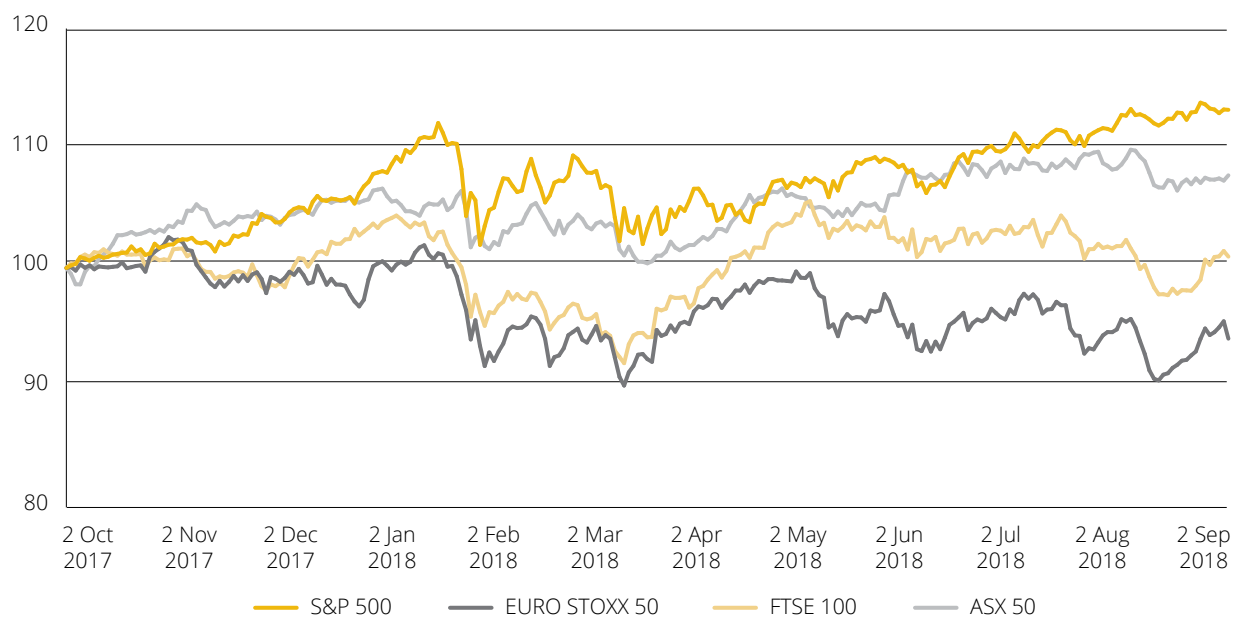
With uncertainty over global growth and the threat of more US tariffs impacting trade, the decisions taken by governments and global central banks will have a significant impact on markets. As a consequence, the investment decisions we take include an analysis of the potential currency movements and how we can optimise the movements in currencies through an effective hedging strategy. Somers does not currently hedge its investments, although ICM continually evaluates this risk. We would expect the US Dollar to strengthen against

CURRENCY MOVEMENTS VS US DOLLAR – October 2016 to September 2017



INVESTMENT MANAGER'S REPORT (continued)

INDICES MOVEMENTS – October 2016 to September 2017



a basket of currencies during the next year as the US Federal Reserve's programme of increasing interest rates and unwinding its balance sheet is likely to continue. This, combined with geopolitical issues such as Brexit and trade tariffs, will ensure a continued period of uncertainty which is not a positive for markets.

The underlying performance of our investments has been strong during the financial year. Resimac, and PCF have increased in value over the year. The increase in the PCF share price has had a positive impact on both Somers' direct holding and BCB's remaining direct shareholding in PCF. BCB generated a profit during the year on the back of the realisation of the majority of its holding in PCF (see below). Each of the Company's core investments is reviewed in more detail later in the report.

The year to September 30, 2018, contained one significant acquisition with Somers acquiring 94.5 million PCF shares from BCB for a total consideration of approximately £29.3 million (principally funded through a £25 million loan facility with The Bank of N.T. Butterfield & Son Limited). Somers is now directly interested in approximately 56% of PCF's issued share capital whilst BCB remains interested in 21 million shares in PCF (9.9% of PCF's issued share capital). BCB took the decision to

sell the majority of its shareholding in PCF due to the continued loan book growth of PCF and the resultant impact that this was having on BCB's capital ratio.

Somers also made several other smaller investments during the year including the acquisition of 38% of AK Jensen Group Limited and the total amount invested during the year was \$50.6 million. During the year, Somers major realisation was the sale of its investment in Rasmala plc for a total consideration of £4.0 million. Post the year end the Company completed the sale of its holding in Merrion Capital Holdings for a total consideration of approximately €3.0 million.

Somers' shares continue to trade at a significant discount to its NAV. The share price as at September 30, 2018 was \$16.00 which is a discount of 11.9% to the year-end diluted NAV of \$18.15. The discount is one of the reasons Somers continues to buy back shares, and during the year the Company bought back 31,376 shares for a total cost of \$0.5 million.

SIGNIFICANT 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 36.1% (2017: 30.9%), while Australia is 32.9% (2017: 30.2%) and Bermuda accounts for 28.6% of the portfolio (2017: 35.9%).

As at September 30, 2018, the eight largest investments accounted for 97.0% of the portfolio (2017: 96.6%).



Resimac Group Limited (formerly Homeloans Limited) is Somers' largest investment, accounting for 32.2% of Somers' portfolio (2017: 29.8%). Resimac is a residential mortgage lender and multi-channel distribution business specialising in prime and specialist lending. It operates in targeted market segments and asset classes in Australia and New Zealand. Its shares are listed on the Australian Securities Exchange and Somers owns approximately 62% of Resimac, with the balance owned by institutional and retail investors.

The company generated net profit after tax for the year ended June 30, 2018 of A\$25.3 million. Total revenue increased by 23% to A\$388.5 million and net interest income increased by 24% to A\$102.5 million. Total mortgage settlement flows across Resimac's combined distribution channels (i.e. both principally funded and non-principally funded) were A\$4.3 billion which was an increase of 19% from the previous year. As at 30 June 2018, principally funded loans and advances to customers increased by 30% to A\$8.6 billion and the non-principally funded portfolio was A\$3.5 billion giving total AuM of A\$12.1 billion. Resimac issued a number of securitisations during the year in both Australia and New Zealand (the first issue in New Zealand for three years).

This was the first full year post the merger of Homeloans and RESIMAC Limited, and the strong performance is indicative of the rationale for the merger. The housing market in Australia continues to be strong, albeit in recent months house prices in Sydney and Melbourne have decreased in value. Demand for residential mortgages from the non-bank sector has grown in part due to Australia's Royal Commission's investigation into the financial services sector and negative findings in the banking sector. Resimac's unique position as a non-bank lender is attractive to customers, with many seeing the

company as an alternative to Australia's major banks. Resimac is therefore going to continue to focus on its strong volume growth in Australia which is driven by anticipated market growth in the specialist and prime segments of the residential mortgages market. The company is also looking to explore opportunities for further market partnerships and potential acquisitions.

With the relatively illiquid nature of Resimac's shares, Somers' investment in Resimac has been valued on a peer comparison basis using an EV/PAT valuation methodology. Following the company's continued strong performance in 2018, Somers investment in Resimac has increased to A\$179.5 million (2017: A\$137.2 million). More information on Resimac can be found on page 29.



BCB is one of Bermuda's four licensed banks and accounts for 23.5% of the portfolio at the year-end (2017: 28.4%). BCB has not actively marketed its products in 2018 as the management and the Board continue to transform the bank to support their strategic plan. It is anticipated that the management will switch the focus from inward looking to outward marketing in 2019. With a strong team in place and increased investment across all levels of the organisation, the Bank is well placed to implement a strategic plan and to drive the company forward. As such, there remains an exciting opportunity for BCB in both its local market, as well as internationally.

During the year BCB sold 94.5 million shares in PCF to Somers for a total consideration of \$38.7 million. This generated a realised profit for BCB of \$15.5 million. BCB remains interested in 9.9% of PCF's issued share capital.

BCB reported a profit of \$7.2 million for the year and BCB's regulatory capital ratio at the year-end stood at 41.3%. Gains from the sale of the majority shareholding in PCF had a material impact on BCB's profits and capital ratio at the year end. Importantly, BCB continues to elicit good cost management and with the ability to deploy assets into capital efficient and high yielding assets because of its strong capital ratio, the company is well placed to pivot to a growth strategy in the coming year. BCB is now receiving a higher return on its overnight cash and high quality liquid assets due to the increase

INVESTMENT MANAGER'S REPORT (continued)

in interest rates in the US and continued increases in the Fed Funds rate will be a benefit to the bank. Total assets as at 30 September 2018 were \$482.8 million and 35.4% of the bank's balance sheet is in cash or cash equivalents. The balance sheet therefore remains strong and liquid.

With BCB's marketing limitations to progress its growth strategy, Somers continues to value BCB at a 10% discount to its book value. The valuation of BCB decreased to \$94.9 million in 2018 from \$102.5 million a year earlier. More information on BCB can be found on page 29.



WAVERTON
INVESTMENT MANAGEMENT

Waverton's AuM was approximately £5.9 billion as at September 30, 2018 (2017: £5.2 billion). The increase in AuM during the year was driven by an increase in global stock markets and a strong performance in attracting net new assets of £326 million. Waverton's recent investment performance has been excellent, and against its peers Waverton ranks in the top quartile over the last twelve month and three year periods respectively. This strong investment performance makes it easier for Waverton to market its products and is a big reason behind its ability to attract new clients over the last twelve months.

For the year ended 30 September 2018, Waverton reported revenue of £37.5 million (2017: £35.2 million) and a profit before tax of £8.0 million (2017: £8.7 million).

Somers' investment in Waverton has been valued based on peer comparisons using an EV/EBITDA valuation methodology. Over the course of the year, Waverton's assessed maintainable EBITDA was £8.2 million (2017: £9.3 million). The decrease in maintainable EBITDA was primarily driven by increased regulatory and compliance costs relating to the introduction of MiFID II at the start of 2018 and an increase in headcount. However, with the strong performance of global stock markets and continued strong merger and acquisition activity in the wealth management sector in the UK and globally, Waverton's peer multiple increased to 12.3x from 11.8x in 2017. The net result was a small decrease

in the value of Somers' investment in Waverton to £59.0 million (2017: £63.5 million). More information on Waverton can be found on page 30.



PCF have had a successful year in 2018, its first full year since receiving a deposit taking license from the UK's Prudential Regulatory Authority and accepting retail deposits. The growth in deposits and participation in the Bank of England's Term Funding Scheme has diversified the company's funding base and enabled PCF to significantly reduce its cost of funding. Whilst expenses increased during the year due to the additional costs associated with being a bank, we anticipate that the company's financial results will continue to grow.

For the year ended 30 September 2018, PCF reported profit before tax of £5.2 million (2017: £3.6 million). New business originations increased by 75% to £148 million with 70% of the originations being in the company's prime credit grades. The lending portfolio grew to approximately £219 million compared to £146 million as at 30 September 2017, an increase of 50%. The portfolio has continued to increase rapidly, and the company believes it is on track through organic growth in its existing products to grow the portfolio to £350 million by September 2020. The deposit base has increased from £53 million to £191 million as at 30 September 2018.

Post the year end PCF announced the acquisition of Azule Limited, a UK market leader in the provision of specialist funding and leasing services to the broadcast and media industry. This diversifies the company's asset classes and offers a new route to market with an origination capability of over £50 million per annum.

As at September 30, 2018 Somers direct investment in PCF was valued at \$58.6 million (BCB's holding was valued at \$9.9 million). PCF's share price increased during the year from 28p as at 30 September 2017 to 38p as at 30 September 2018. More information on PCF can be found on page 30.



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

It was a stable year for West Hamilton with no new property developments, and continued strong occupancy of its assets, the Belvedere Building, Belvedere Residences and its car park facility. The Belvedere Residences, which was completed in September 2016, is fully occupied and the company has sold two of the apartments. The car park facility is 100% occupied with a long waiting list, and the Belvedere Building is approximately 90% occupied which is positive given the Bermuda market remains significantly over supplied.

For the year ended September 30, 2018, commercial property West Hamilton reported revenue of \$3.1 million (2017: \$3.1 million). Shareholders' equity was \$24.6 million (2017: \$22.9 million) and the book value per share if fair value is used, would be \$9.58. Somers' investment in West Hamilton has been valued using the fair value of West Hamilton's identifiable assets and liabilities in a fully liquid market and then discounting this to take account of Bermuda's challenged commercial property market. As such Somers' investment in West Hamilton is valued at \$15.9 million as at September 30, 2018. More information on West Hamilton can be found on page 31.

Stockdale

Stockdale continued to perform strongly in 2018 following on from a profitable year in 2017. The company's restructured cost base, coupled with a number of corporate transactions in 2018, ensured that the company remained profitable throughout the year.

For the year ended September 30, 2018, Stockdale reported revenue of £11.4 million (2017: £13.1 million) and a profit before tax of £1.5 million (2017: £1.7 million).

During the year Stockdale repaid the remaining balance on its loan to Somers of £1.5 million. With Stockdale continuing to be profitable in 2018, Somers has valued

Stockdale on an EV/EBITDA market multiple. This provides recognition of the earnings stream derived from its long-standing relationships with several existing clients, as well as winning selective new mandates and its well contained cost base. Somers' equity investment in Stockdale as at September 30, 2018 is therefore valued at £4.1 million (2017: £5.7 million). The 2018 valuation is calculated assuming a 55% holding in Stockdale despite Somers owning 75% of Stockdale as at 30 September 2018. When Stockdale was restructured in 2016, it was agreed between Stockdale and Somers that Stockdale employees would have the opportunity to own 45% of the company upon the achievement of specified performance conditions. As this condition has now been met, for valuation purposes Somers has assumed that it is interested in 55% of Stockdale.

Stockdale has now developed a strong franchise, but its continued positive performance will remain dependent on the stock markets and the appetite for IPOs remaining strong. Recent volatility in the global stock markets will likely negatively impact Stockdale's business so it is important that they continue to grow the size of its client base. More information on Stockdale can be found on page 31.

MJ HUDSON

MJ Hudson is a UK based specialist law firm and asset management services provider, founded in 2010 as a law firm for the alternative asset management and investment industry. MJ Hudson has created an outsourced platform for asset managers thereby allowing them to focus on fund raising and making investments.

Over the last 12 months, MJ Hudson has had a challenging year due to internal accounting issues relating to income recognition in its law practice. However, these issues appear to have been resolved and in the first three months of its new financial year (MJ Hudson's year end is 30 June) the business is slightly ahead of budget. The internal focus during the year has meant that the company has reduced its cost base with a view to growing its earnings rather than just the top line. The benefits of this approach are starting to show, and we anticipate that the operationally geared nature of the business will

INVESTMENT MANAGER'S REPORT (continued)

drive earnings further in anticipation of a proposed IPO in either 2019 or 2020.

Post the year end, Somers invested a further £1.5 million in MJ Hudson to part fund the acquisition of a data analytics business. Somers has now invested a total of £5.8 million in MJ Hudson for a fully diluted interest of 14.6%.

For the year ended June 30, 2018, MJ Hudson reported revenue of £24.0 million (2017: £14.5 million) and EBITDA of £0.7 million (2017: £0.2 million). Somers values its investment in MJ Hudson at £3.8 million. More information on MJ Hudson can be found on page 32.



AKJensen is a hybrid business which provides brokerage and software solutions to its clients as well as providing hedge fund services. AKJensen provides a hedge fund platform to hedge fund managers enabling them to set up a hedge fund at low cost, trade through AKJensen's proprietary technology platform and operate under the AKJensen regulatory framework. This is particularly attractive to new hedge fund managers who are often unable to incorporate a hedge fund due to the associated costs and regulatory burden.

Somers acquired a 38% interest in AKJensen in May 2018 for \$4.0 million. AKJensen currently has 16 hedge funds operating on its hedge fund platform and has AuM of \$183 million. AKJensen is in the process of creating a similar platform for hedge fund managers who wish to invest in digital assets. Associated with this development, AKJensen will also be issuing its own token, AKJ Token, to drive the demand on its platform. The company is planning a private token offering in 2019.

For the year ended 31 December 2017, AKJensen reported revenue of \$11 million. Somers values its investment in AKJensen at \$4.5 million based on peer comparisons using a EV/Revenue multiple. More information on AKJensen can be found on page 32.

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, 2018, was \$12.1 million (2017: \$15.6 million).

GEARING AND BANK DEBT

Somers' level of bank debt increased during 2018 in order to fund Somers' acquisition of PCF shares from BCB. However, given the size of Somers' asset base and the nature of its investment gearing as a percentage still remains reasonable. As at September 30, 2018, gearing stood at 11.4% (2017: 1.2%). This reflects an increase in total debt from \$4.5 million to \$41.5 million together with an increase in shareholders' equity to \$364.1 million from \$361.2 million.

The total debt figure as at September 30, 2018, of \$41.5 million, principally relates to two loans from The Bank of N.T. Butterfield & Son Limited which in aggregate total £25 million. There is one additional bank facility of \$4.5 million with BCB and \$4.5 million of shareholder debt.

REVENUE RETURNS

The majority of Somers' returns are expected to be capital in nature but we also 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 \$4.6 million (2017: \$1.8 million) with the gain attributable to the increased level of dividend income received in 2018. Management fees were \$2.1 million (2017: \$1.2 million) and no performance fee was earned in 2018.

Somers reported a profit for the year of \$4.2 million (2017: \$19.4 million). The resultant profit per share was \$0.21. Somers has declared a final dividend of \$0.29 per share bringing the total dividend for the year to \$0.50 per share.

ICM'S INVESTMENT PHILOSOPHY

ICM is a value investor and generally operates focused portfolios with narrow investment remits. ICM has a number of dedicated research teams who have deep knowledge in their specific sectors, which improves the ability to source and make investments. ICM has approximately \$2.1 billion of assets directly under management and \$21.5 billion indirectly under management.

ICM looks to exploit market and pricing opportunities and concentrates on absolute performance. The investments are not market index driven and ICM is unlikely to 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 in the wider financial services sector, including new FinTech and PayTech opportunities. New investments usually offer a mix of compelling value, scalability and optionality at the time of investment. There is no desire to establish a "portfolio of must have investments", rather the investment portfolio comprises a series of bottom up decisions.

ICM has extensive sector knowledge and understanding of investments in the financial services sector and will remain focused on the undoubted opportunities in this sector. Somers will look to actively engage with each investee company through ICM.

Neither Somers nor ICM has the management team to step in and manage investee companies. Furthermore, Somers is not a private equity investor. Somers does not seek to exit, or establish short term returns. Somers is a long term investor looking for long term performance.

Somers expects investee companies to:

- Remain independent – the business must stand on its own two feet
- Have their own strategic plan and ambition statements – without a road map the business will under achieve
- Be agile and exploit business opportunities created by disruptive technology

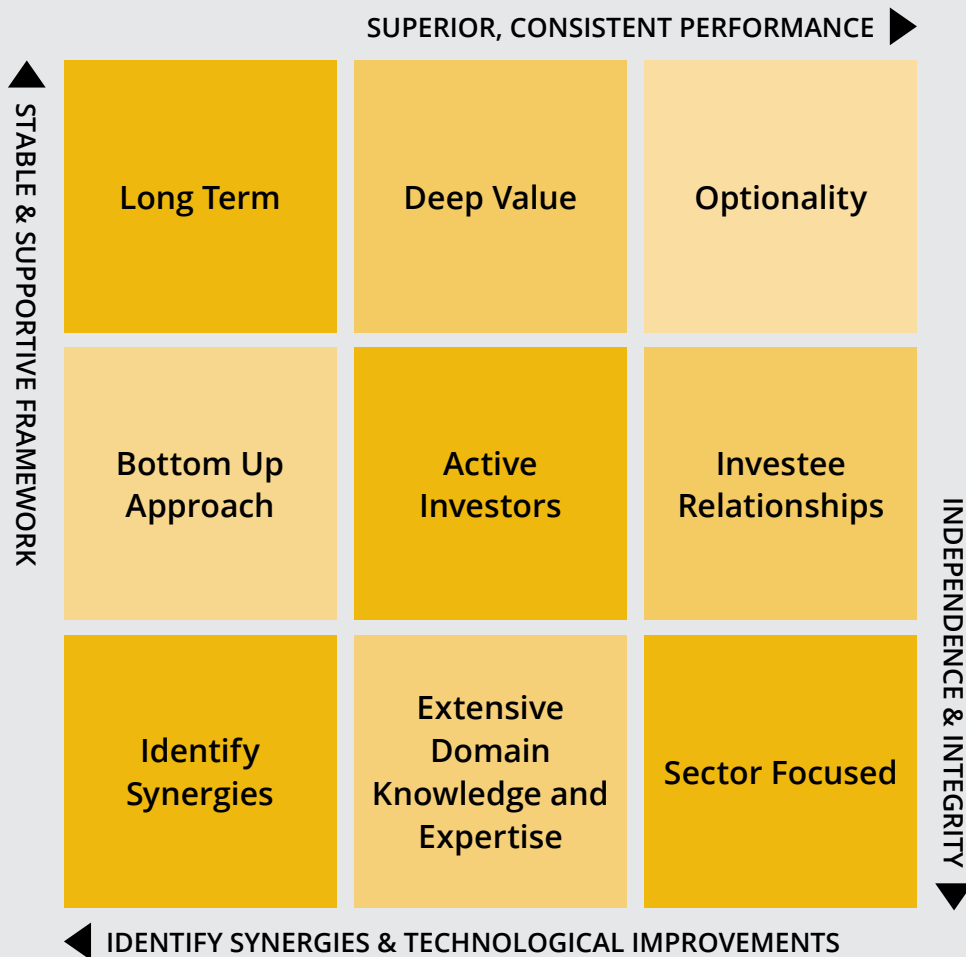
- Address and mitigate their business risks
- Have their own DNA and character
- Seek internal and group synergies, but remain independent

Somers encourages its investee companies to create synergies, to collaborate on both commercial and revenue opportunities, and to identify and action gradual cost savings within the wider Group. Somers looks to optimise each investee company by seeking a sharing of knowledge and experience, with a view to achieving more than they could independently. Areas of collaboration include cyber security, regulation, risk and compliance, and FinTech. By establishing a like-minded, open and constructive dialogue with investee companies, the opportunities to thrive and grow are maximised. Both ICM and Somers are acutely aware of the benefits of technology that are available to agile companies, including in the areas of FinTech, PayTech, automation and outsourcing opportunities, and investee companies are encouraged to embrace these opportunities.

Somers will seek to provide a stable, consistent, and supportive framework in which businesses can thrive. Somers will use its knowledge, acumen, financial support, contacts and relationships to help build the investee businesses and optimise strategy. Somers will generally use its balance sheet to support investee companies and work with them to seize opportunities available to each business.

Somers' guiding principle is that investee companies must maintain their business independence through pro-active and supportive boards of directors, capable management teams and use the abilities and opportunities within the Somers Group to optimise the long-term value of their respective companies for the benefit of all shareholders.

We seek out and make compelling investments



MACRO TRENDS AFFECTING FINANCIAL SERVICES

DIGITISATION AND AUTOMATION



- Financial institutions are increasingly becoming disrupted by artificial intelligence and automation both internally (replacement of staff, digitisation of business processes and workflows) and externally (move to robo-advice or underwriting, automated data driven decision making, smart contracts, etc)
- Decreasing customer loyalty, especially in younger demographic groups, promotes the commoditisation of finance and requires new approaches to customer / user experience, with a focus on reducing friction and lead times and improving transparency and instant engagement
- Significant move towards e-commerce and mobile in an environment of demonetisation, smartphone penetration and screen-time of four hours plus a day in developed nations, emerging nations. For example, China, India, and Indonesia are quickly catching up, driving large scale user adoption and behaviours

FINTECH



- Fintech expanding rapidly as consumers demand cheaper, efficient service with more choice. Multiple value chains continually being aggregated across banking, wealth management, insurance and non-FS
- 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 recent advent of blockchain / distributed ledger and cryptocurrency will change the financial services landscape long term, though this has yet to see widespread adoption
- 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

Technological change is moving at such a pace that companies are either disruptive or disrupted.

MACRO TRENDS AFFECTING FINANCIAL SERVICES (continued)

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 for large parts of FS infrastructure
- 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

MONETARY POLICY



- Adapting to and operating in an era of low interest rates, quantitative easing, low inflation and record stock markets, and asset valuations coping with increased global government debt
- Encouraging financial institutions and investors to chase higher yielding assets thereby causing asset prices to increase and heightening risks
- As Central Banks around the world commence to remove quantitative easing and initiate interest rate rises there is the potential for increased market volatility and risk to the global economy

REGULATORY AND COMPLIANCE



- Financial institutions and in particular banks are stronger than they were pre-crisis due to increased capital requirements but will have more constrained lending policies with greater adherence to responsible lending requirements
- 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 is an investment holding company incorporated in Bermuda, whose shares are listed on the Bermuda Stock Exchange. Somers' core investment markets are Australia, Bermuda and the UK.

Somers' primary objective is to deliver superior shareholder total returns through both capital appreciation and dividend payments, which in turn can be expected to be reflected in the growth of the share price. To achieve this, the Company seeks to invest in undervalued companies within the financial services sector and has the flexibility to make investments in a range of financial related sectors and markets. 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 for sale as financial institutions continue to deleverage in response to the global credit crisis. 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 remains 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 will generally aim to achieve a control or strategic position, while equally comfortable with a portfolio position if the purchase price or investment instrument is sufficiently attractive. 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 embrace the opportunities that recent developments in technology create, 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 the Company 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 oversee and monitor the activities of ICM and other service providers on behalf of shareholders and ensure that the investment objectives are adhered to.

SOMERS' STRATEGY (continued)

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

BORROWING

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

DIVIDENDS

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

It is Somers' intention to pay regular, semi-annual dividends to shareholders with the split between the interim and final dividend weighted towards the final dividend. The Board's objective is to maintain or increase the total annual dividend while strengthening Somers' financial position. Dividends will generally be increased in line with long term trends in earnings per share growth, while sufficient profits will also be retained to support anticipated business growth and to fund further investments.

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

Key areas of focus for Somers are wealth and fund management, banking, asset origination, and embracing disruptive opportunities.

INVESTMENT MANAGER AND TEAM

The Directors are responsible for Somers' investment policy and have overall responsibility for the Company's 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; Allectus Capital Limited; Pentagon Global Diversified Bond Fund and Pentagon High Conviction Bond Fund, which are all unlisted funds.

ICM focuses on identifying investments at valuations that do not reflect their true long term value. Its investment approach is to have a deep understanding of the business fundamentals of each investment and its environment versus its intrinsic value. ICM manages some \$2.1 billion directly and has indirect involvement in over \$21.5 billion in a range of mandates. ICM has over 55 staff based in offices in Bermuda, Cape Town, Dublin, London, Singapore, Sydney and Wellington. The investment teams are led by Charles Jillings and Duncan Saville, who are both directors of ICM.

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

ALASDAIR YOUNIE

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 Ascendant Group Limited, Bermuda Commercial Bank Limited, One Communications Limited and West Hamilton Holdings Limited. Alasdair graduated from Bristol University with a BSc in Economics and Economic History in 1998, and is a Member of the Institute of Chartered Accountants in England and Wales.

GREG REID

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

INVESTMENT MANAGER AND TEAM (continued)

DUNCAN SAVILLE

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

CHARLES JILLINGS

Charles Jillings joined the ICM Group in 1995, and established ICM Investment Research Limited in 1997 and ICM Investment Management Limited in 2015. 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. He is an Executive Director of these companies, and he is responsible for the day to day running of UIL Limited and Utilico Emerging Markets Trust plc. Charles is currently a Non-Executive Director of Waverton Investment Management Limited and Allectus Capital Limited. Charles graduated from the University of Cape Town with a B. Com.

SANDRA POPE

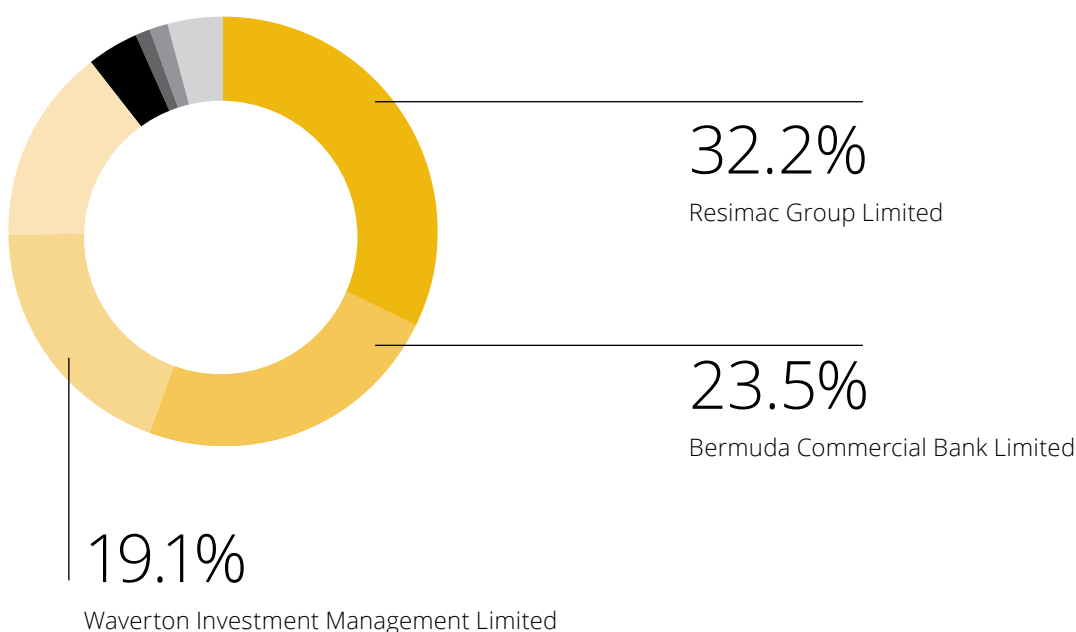
Sandra Pope joined the ICM Group in 1999. She has over twenty five years of experience in corporate finance. Prior to joining ICM, Sandra worked in corporate finance at Deloitte Haskins & Sells, Hill Samuel Bank and Close Brothers. She is a Director of ICM Investment Management Limited and ICM Investment Research Limited, ICM's fully owned UK subsidiary which focuses on research and analysis. She is a Non-Executive Director of several private companies, including Harlequins Football Club Ltd. Sandra is a qualified chartered accountant and holds the Securities & Investment Institute Certificate of Corporate Finance.

ICM focuses on identifying investments at valuations that do not reflect their true long term value.

SIGNIFICANT INVESTMENTS

CORE INVESTMENTS

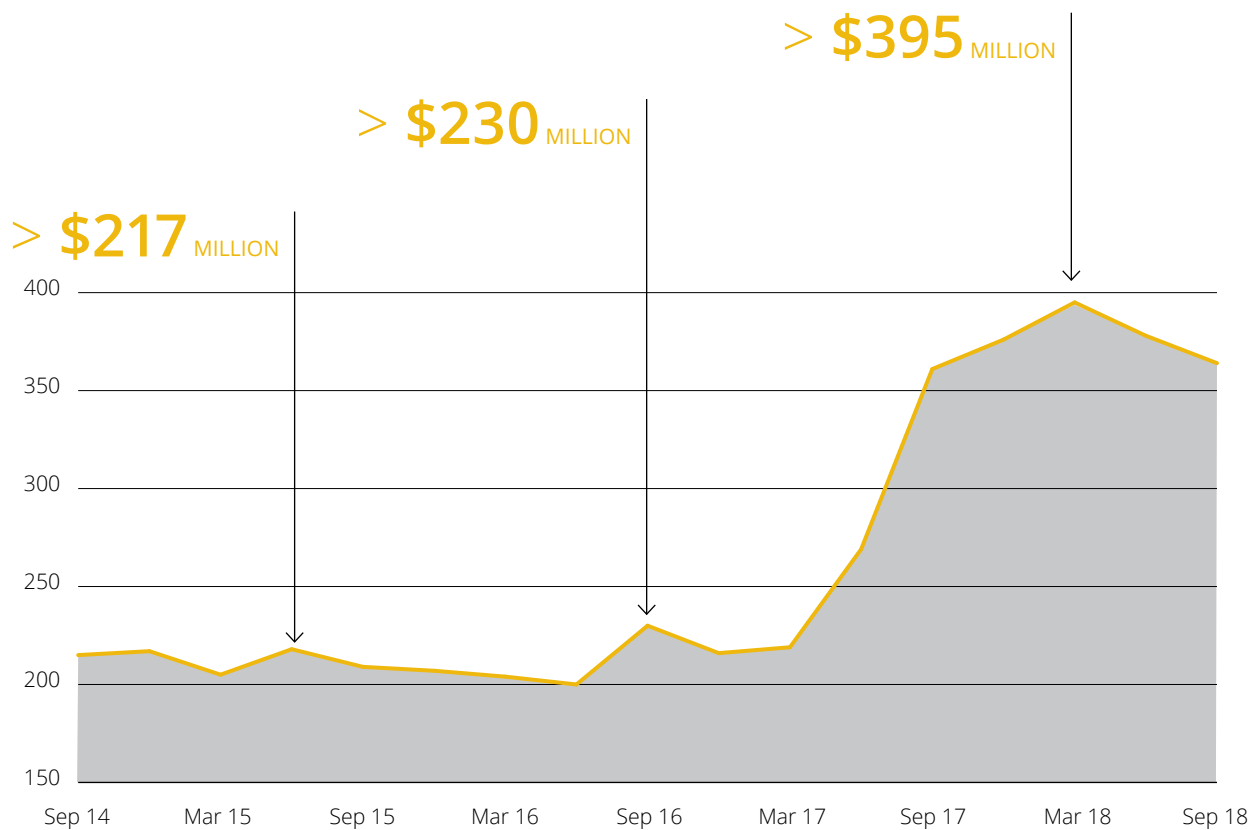
Somers' investments are predominantly Bermuda, UK and Australia based with these three jurisdictions together accounting for 97.6% of total investments. In total, the Company's significant holdings account for 97.0% of total investments at September 30, 2018.



	Company	Country	Fair Value (\$)	% of Total Investments
1	Resimac Group Limited	Australia	129,725,638	32.2%
2	Bermuda Commercial Bank Limited	Bermuda	94,877,714	23.5%
3	Waverton Investment Management Limited	UK	76,959,106	19.1%
4	PCF Group plc	UK	58,635,552	14.6%
5	West Hamilton Holdings Limited	Bermuda	15,896,256	3.9%
6	Stockdale Securities Limited	UK	5,357,574	1.3%
7	MJH Group Holdings Limited	Jersey	4,995,753	1.2%
8	AK Jensen Group Limited	Bermuda	4,462,419	1.1%
	Significant investments		390,910,012	97.0%
	Other investments		12,063,979	3.0%
	Total Investments		402,973,991	100.0%

SHAREHOLDERS' FUNDS

SHAREHOLDERS' FUNDS – USD Million



Somers is well positioned to continue to perform in the prevailing economic conditions, and identify attractive long-term investments, that will generate increased shareholder value.

SUMMARY OF CORE INVESTMENTS

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

RESIMAC GROUP LIMITED ("RESIMAC")



www.resimac.com.au

VALUATION

\$129.7 MILLION

Resimac is a residential mortgage lender and multi-channel distribution business specialising in prime and specialist lending. It operates in targeted market segments and asset classes in Australia and New Zealand. Its primary activities are as mortgage manager, mortgage broker and in addition, originating, servicing and securitising mortgage assets. The year ended 30 June 2018 was the first full year of earnings post the merger of Homeloans Limited and Resimac Limited in October 2016. As at 30 June 2018, principally funded loans and advances to customers increased by 30% to A\$8.6 billion and the non-principally funded portfolio was A\$3.5 billion giving total AuM of A\$12.1 billion. Resimac generated a normalised net profit after tax for the year ended June 30, 2018 of A\$26.2 million. Total revenues and other income was A\$388.5 million, a 23% increase from 2017. Net interest income increased by 25% to A\$102.5 million and loan impairment expense remained low at A\$1.6 million. During the year, Resimac issued A\$3.5 billion of term duration funding through five RMBS transactions issued in AUD, NZD and USD (144a) format.

NET PROFIT
AFTER TAX

A\$26.2
MILLION

ASSETS UNDER
MANAGEMENT

A\$12.1
BILLION

BERMUDA COMMERCIAL BANK LIMITED ("BCB")



www.bcb.bm

VALUATION

\$94.9 MILLION

BCB is one of Bermuda's four licensed banks and the only bank dedicated solely to the needs of commercial, corporate and high net-worth clients. BCB offers an array of banking solutions, corporate administration, global custody and brokerage, estate planning and trust administration. BCB reported a profitable year in 2018, mainly as a result of the sale of the majority of its investment in PCF Bank, a positive return from its investment portfolio and good cost management. Profit for the year was \$7.2 million on revenue of \$43.5 million. Total assets were \$482.8 million and customer deposits were \$367.7 million. As at September 30, 2018, BCB's Tier 1 and total capital ratios were both 41.3%, significantly exceeding the prescribed regulatory limits and confirming BCB's strong and liquid balance sheet. Management continued to focus inwardly in 2018 and it is anticipated that in the current financial year BCB will pivot towards implementing a new strategic plan.

PROFIT

US\$7.2
MILLION

TOTAL ASSETS

\$482.8
MILLION

SUMMARY OF CORE INVESTMENTS (continued)

WAVERTON INVESTMENT MANAGEMENT LIMITED ("WAVERTON")



WAVERTON
INVESTMENT MANAGEMENT

www.waverton.co.uk

VALUATION

\$77.0 MILLION

Waverton is a London-based specialist investment manager which focuses on discretionary portfolio management for private clients, charities and institutions as well as offering a suite of in-house managed investment funds. Somers, in conjunction with Waverton's management and staff, acquired Waverton from Credit Suisse AG in 2013 for a total cash consideration of £50 million. Waverton reported AuM as at September 30, 2018 of £5.9 billion, an increase of £0.7 billion from the prior year which was driven by strong capital markets, an increased investment in sales and marketing and the acquisition of 2CG Senhouse. For the year ended September 30, 2018, Waverton earned revenue of £37.5 million (2017: £35.2 million), EBITDA of £8.2 million (2017: £9.3 million), and operating profit before tax of £8.0 million (2017: £8.7 million). During the year Waverton paid Somers dividends totalling £3.1 million.

EBITDA
£8.2
MILLION

ASSETS UNDER
MANAGEMENT
£5.9
BILLION

PCF GROUP PLC ("PCF")



www.pcfbank.co.uk

VALUATION

\$58.6 MILLION

PCF is the AIM-quoted parent of the specialist bank, PCF Bank Limited. PCF was established in 1994 and has two lending divisions: Consumer Finance which provides finance for motor vehicles to consumers; and, Business Finance which provides finance for vehicles, plant and equipment to small and medium sized businesses. During 2017, PCF was granted a deposit taking license by the UK's Prudential Regulatory Authority. Following receipt of the license, PCF commenced accepting retail deposits. As at September 30, 2018 PCF had deposits of £191 million (2017: £53 million). PCF is targeting a loan portfolio of £350 million in 2020 and £750 million in 2022 by growing its current market share, whilst increasingly lending to the prime segments of the market. For the year ended September 30, 2018, PCF reported net interest income of £15.0 million and profit before tax of £5.2 million, which included increased costs relating to the infrastructure required to operate as a bank in the UK. The return on equity was 10.3% and PCF reported a total loan portfolio of £219 million, an increase of £73 million from the prior year.

PROFIT BEFORE TAX
£5.2
MILLION

TOTAL LOAN PORTFOLIO
£219.3
MILLION

**WEST HAMILTON HOLDINGS LIMITED
("WEST HAMILTON")**



www.westhamilton.bm

VALUATION

\$15.9 MILLION

West Hamilton is a Bermuda Stock Exchange listed property investment and management company, with property assets in the west of Hamilton, Bermuda. The Belvedere Residences, West Hamilton's mixed-use building, which was completed in September 2016, remains fully occupied with all commercial space let on long term leases, 7 apartments let on long term leases and two apartments sold, the proceeds of which were used to reduce the company's debt. The car park facility is 100% occupied with a long waiting list, and planning permission has been received to extend the facility by an additional two levels. The Belvedere Building is approximately 90% occupied which is positive in an over supplied market. For the year ended September 30, 2018, West Hamilton reported strong results with revenue of \$3.1 million and net income for the year of \$1.9 million. Total assets amounted to \$38.1 million (2017: \$38.9 million). Total liabilities were \$13.5 million (2017: \$15.9 million) and net debt was \$12.7 million (2017: \$14.5 million).

NET INCOME

\$1.9
MILLION

TOTAL ASSETS

\$38.1
MILLION

**STOCKDALE SECURITIES LIMITED
("STOCKDALE")**



www.stockdalesecurities.com

VALUATION

\$5.4 MILLION

Stockdale is a London based investment banking and institutional stockbroking firm. Its targeted market is small and mid-market companies listed in London and it generates revenue through corporate finance and broking activities, equity sales and trading and research retainer fees. Stockdale's trading performance in 2018 continues to be positive. The company was profitable in every month bar the last month of the financial year, which continued the performance from the prior year. This is further indication that the revised business model implemented in 2016 with a lower cost base and restructured balance sheet was the right course of action. As at September 30, 2018, Stockdale had 55 corporate clients generating recurring retainer revenue of approximately £2.5 million per annum. During the 2018 financial year Stockdale generated £8.8 million in corporate finance revenue and £2.5 million in trading and commission revenue. For the year ended September 30, 2018, Stockdale reported revenue of £11.4 million and a profit before tax of £1.5 million. During the year Stockdale repaid the remaining balance on its loan to Somers of £1.5 million.

REVENUE

£11.4
MILLION

PROFIT BEFORE TAX

£1.5
MILLION

SUMMARY OF CORE INVESTMENTS (continued)

MJ HUDSON GROUP LIMITED ("MJ HUDSON")



www.mjudson.com

VALUATION

\$5.0 MILLION

MJ Hudson is a UK based specialist law firm and asset management services provider for the alternative asset and investment industry. MJ Hudson is a multi-service infrastructure business, essentially a one-stop outsourcer for asset managers and investors encompassing legal, operating and fiduciary, administration and reporting and investor relations services. For the year ended June 30, 2018, MJ Hudson reported revenue of £24.0 million and EBITDA of £0.7 million. Whilst revenue was up significantly year on year EBITDA was down due to increased investment in the business. MJ Hudson has invested in several start up product lines including investing in a Luxembourg office to act as a potential Brexit hedge. These new products remain in the investment phase but through prudent cost management and increasing revenue EBITDA should rise significantly in the current financial year. The company completed the acquisition of a data analytics company post year end and is targeting an IPO in late 2019 or early 2020 depending on the markets.

REVENUE
£24.0
MILLION

OVER
700
CLIENTS

AK JENSEN GROUP LIMITED ("AKJ")



www.akj.com

VALUATION

\$4.5 MILLION

AKJ is a hybrid business which provides brokerage and software solutions to its clients as well as providing hedge fund services. AKJensen provides a hedge fund platform to hedge fund managers enabling them to set up a hedge fund at low cost, trade through AKJensen's proprietary technology platform, and operate under the AKJensen regulatory framework. This is particularly attractive to new hedge fund managers who are often unable to incorporate a hedge fund due to the associated costs and regulatory burden. For the year ended 31 December 2017, AKJensen reported revenue of \$11 million. AKJensen currently has 16 hedge funds operating on its hedge fund platform and is in the process of creating a similar platform for hedge fund managers who wish to invest in digital assets.

REVENUE
\$11
MILLION

ASSETS UNDER
MANAGEMENT
\$183
MILLION

DIRECTORS

WARREN MCLELAND



CHAIRMAN

Warren McLeland is a Science and MBA graduate and former stockbroker and investment banker, with over thirty years' experience in domestic and international financial services. He acts as an adviser in funds management and business strategy to companies operating in the Asia Pacific region. He is a Non-Executive Director of UIL Limited, and Resimac Group Limited.

PETER DURHAGER



Peter Durhager joined the Somers Board in September 2018. He is a Non-Executive Director of Harrington Re and F&G Re, and he was formerly the President of Renaissance Services Ltd. from March 2004 until December 2014, and the Chief Administrative Officer of Renaissance Re Holdings Ltd. from June 2003 until December 2014. He is currently Chairman of Ascendant Group Ltd., the Bermuda Community Foundation, and was the Chairman of America's Cup Bermuda. Mr Durhager 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, where He is an Executive Director of these companies 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. He is a Non-Executive Director of Waverton Investment Management Limited. Charles graduated from University of Cape Town with a B. Com.

DIRECTORS (continued)

DAVID MORGAN



David Morgan has over thirty-five 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 and is currently Deputy Chairman of Bermuda Commercial Bank Limited and a Non-Executive Director of Waverton Investment Management Limited, and PCF Bank Limited.

DUNCAN SAVILLE



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

ALASDAIR YOUNIE



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 Ascendant Group Limited, Bermuda Commercial Bank Limited, One Communications Limited and West Hamilton Holdings Limited. Alasdair graduated from Bristol University with a BSc in Economics and Economic History in 1998, 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, 2018, the Directors of the Company and their related interests had interests in aggregate totalling 9,997,139 common shares representing approximately 49.8% of Somers' issued share capital.

BOARD RESPONSIBILITIES AND GOVERNANCE

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 the Company, 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 the Company. The Directors are responsible for the proper conduct of the Company's 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 the Company as a whole, and that the 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; setting long

term objectives and strategy; assessing and managing risk; reviewing investment performance; monitoring the net borrowing position and consideration of the appropriate use of gearing; undertaking audit committee responsibilities; reviewing Directors' remuneration; undertaking nomination responsibilities; and, assessing the Investment Manager on an ongoing basis. The Board also seeks to ensure that shareholders are provided with sufficient information to understand the risk/reward balance to which they are exposed by owning Somers' shares, through the financial information given in the annual and quarterly financial report disclosures.

Matters delegated by the Board to ICM include: implementation of the Board approved strategy, day to day operation of the business including management of the internal control framework, and the formulation and execution of risk management policies and procedures. ICM periodically report 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 the Company's success in achieving its investment objectives. These include share price and NAV performance, net cash flow, ROE reports at the Company and underlying investment level, risk management and adherence to investment guidelines issues. Additionally, the Directors receive regular updates on the performance of the Company's individual investments.

BOARD MEETINGS

The Board meets at least four times a year, and between these scheduled meetings there is regular contact between Directors, the Investment Manager and the Company Secretary, including strategy meetings, 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 the attention of the Directors. The Directors may request any agenda item to be added that they consider appropriate for Board

BOARD RESPONSIBILITIES AND GOVERNANCE (continued)

discussion. In addition, each Director is required to inform the Board of any potential or actual conflict of interest prior to Board discussion. The Directors also have access, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

In the financial year ended September 30, 2018, the Board met each quarter to review the activities of Somers for that period and held a meeting devoted solely to strategic issues. Additional meetings were held to consider limited objectives including the approval of the quarterly results. All Directors received notice of the meetings, the agenda and supporting documents, and were able to comment on the matters to be raised at the proposed meeting. In addition to the formal quarterly, strategy, and ad-hoc meetings, the Board also receives detailed updates from the Investment Manager via update calls.

BOARD CHANGES

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

During the year Peter Durhager was appointed to the Board (his details are found on page 33 of this report). Duncan Saville also indicated that he will not be standing for re-election as a Director at the Annual General Meeting.

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

There is no separate audit committee and 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 the Company, monitoring the independence of the external auditor and the effectiveness of the audit process, and reviewing the findings of the external auditor. The Board considers that given its size (six 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 function of a remuneration committee in relation to the setting and periodic review of the fees of the Directors and the Chairman. The Board considers that, given the size and nature of the Company, it would not be appropriate to establish a separate remuneration committee.

Nomination Committee

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

REGULATORY AND COMPETITIVE ENVIRONMENT

Somers is obliged to comply with Bermuda law, the Listing Rules of the BSX and International Financial Reporting Standards ("IFRS"). Somers is exempt from taxation, except insofar as it is withheld from income received and capital gains taxes in some jurisdictions. Under Bermuda law, Somers may not distribute income or capital reserves by way of a dividend unless, after distribution of the dividend, the Company would be able to pay its liabilities as they become due, and the realisable value of the Company's 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 56.

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. The Board has considered each of Somers' principal risks and uncertainties. The Company has \$62 million of level 1 equity shares in listed companies and also has level 3 equity shares in less active listed companies. 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 25 and 26 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 0.5% 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 2018, and therefore no performance fee was payable for the year.

The Board continually reviews the policies and performance of the Investment Manager. The Board's philosophy and the Investment Manager'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 the Investment Manager'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, BCB Charter Corporate Services Limited, a related party to Somers. 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 the Company are properly managed, and oversight of all financial and Bermuda stock exchange reporting. This role also includes ensuring compliance with the required standards of good corporate governance. ICM, in conjunction with the Company Secretary, also organises,

BOARD RESPONSIBILITIES AND GOVERNANCE (continued)

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, the Company 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 Neil Patterson. The Board has considered the independence of the auditor and the objectivity of the audit process and is satisfied that KPMG has fulfilled its obligations to shareholders as independent auditor to Somers.

It is Somers' policy not to seek substantial non-audit services from its auditor, unless they relate to a review of the interim or quarterly reports or reporting on financial information in circulars or prospectuses, as the Board considers the auditor is best placed to provide these services. If the provision of significant non-audit services were to be considered, the Board would consider whether the particular skills of the audit firm made it a suitable supplier of those services and that there was no threat to the objectivity and independence of the audit. No non-audit fees were paid to KPMG for the year ended September 30, 2018 (2017: \$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 in camera 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 and Bermuda Commercial Bank 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

The majority 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 44 for details on Somers' valuation approach for unlisted investments.

SHAREHOLDER RELATIONS

Shareholder communications are a high priority for the Board and every effort is made to enable shareholders to understand the strategy, developments and financial performance of Somers. A financial announcement detailing the performance of Somers is released to

the Bermuda Stock Exchange on a quarterly basis and is available for viewing on the Company's website (www.somers.limited). Members of the Board and the Investment Manager's team make themselves available at all reasonable times to meet with principal shareholders, and feedback from these meetings is provided at the quarterly Board meetings.

In addition, the Board is kept fully apprised of all market commentary on Somers by the Investment Manager 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 the Investment Manager 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 69 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 or 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 the Company 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 and the position of the Company 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 the Company's 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 the:

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

The Board meets four times a year to consider the quarterly risk review report prepared by ICM. It 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, 2018, or subsequently up to the date of this annual report.

While the external environment remains challenging, the Board considers that the Company's risk profile

has remained stable during the year. In making this determination, the Board has considered the continuing development of internal controls, risk processes and the composition of the investment portfolio. The Board also considered the macro-economic environment and evolving risks such as regulatory, currency and cyber security.

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 review investment risk in the context of individual investee companies, overall portfolio composition, and acquisitions and disposal decisions.

ICM monitor the operational and regulatory risks in the business and the related risk management controls and have 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 the Company 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 the Company's 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 appetites 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 the Company's 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.

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

INVESTMENT RISK

Investment risk is, in absolute terms, the risk of incurring any loss in the portfolio in pursuit of investment 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 pertaining to: foreign currency; concentration; interest rate; leverage; liquidity; geographic and political; acquisition due diligence; conflict of interest; investee company business; and economic environment.

Many of these factors are outside Somers' control and may affect the level and volatility of securities prices, the amount of distributions received and the liquidity and value of investments in the portfolio. Somers may be unable to mitigate its exposure to these conditions

as efforts to manage its exposure may or may not be effective. In addition, while adverse market conditions provide opportunities to make investments in undervalued companies, such conditions also increase the risk of default or decreased operational performance which would adversely affect the profitability and valuation of these entities, and consequently, the profitability, net asset value and share price of Somers. Please refer to note 17 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.

Somers' results are reported in US Dollars, whilst several of its assets are priced in foreign currencies, particularly Sterling and Australian Dollars. The impact of adverse movements in exchange rates can significantly affect the returns in US Dollars of both capital and income. Such factors are out of the control of the Board and ICM, and may create distortions in the reported returns to shareholders. During the year Somers entered into a limited number of forward hedges to reduce its currency exposures however all such FX hedges had expired as of year end. Where we borrow for investment purposes we endeavour to ensure the borrowing currency matches the associated investment.

In addition, the ordinary shares of Somers may trade at a discount to their NAV. The Board monitors the price of the Company's shares in relation to their NAV and the premium/discount at which they trade. The Board may buy back shares if there is a significant overhang of stock in the market, having regard to the percentage of shares in public hands.

RISK MANAGEMENT (continued)

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 holds a separate meeting devoted to strategy, the most recent one being held in September 2018.

Somers increased its leverage levels during the year but our overall debt to net assets ratio remains modest at 11.4% as at September 30, 2018. Whilst this leverage should enhance total return where the return on the Company's underlying securities is rising and exceeds the cost of borrowing, 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 the Company's 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.

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

BUSINESS OPERATIONAL RISK

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

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

Loss by the Investment Manager of key staff 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 the Investment Manager 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 the Company's activities and the Company's objective is to manage operational risk so as to balance the limiting of financial losses and damage to its reputation, with achieving its investment objective of generating returns to investors.

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 cyber-security 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 the Company's assets.

Somers' system of internal control is designed to manage and monitor rather than eliminate risk of failure to achieve the Company's investment objective and/ or adhere to the Company's 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 the Company's 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, 2018, 85% 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 19, small changes to inputs may result in material changes to the carrying value of our investments.

VALUATION PROCESS

The valuation of the unlisted investments is the responsibility of the Somers Board, with valuation support and analysis provided by the valuation team at ICM. The investment portfolio is valued at fair value, and this is achieved by valuing each investment using an appropriate valuation technique and applying a consistent valuation approach for all investments.

The 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 2015).

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

VALUATION METHODOLOGIES

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

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

EARNINGS MULTIPLES

This is the Company's most commonly used valuation methodology and 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 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 the investment using cost for a limited period following the transaction, where the transaction represents fair value. Please also refer to note 19 of the audited financial statements for more details on Somers' unlisted investments and the valuation methodologies adopted.

FIVE YEAR SUMMARY 2014-2018

(expressed in United States Dollars)

	2018 \$	2017 \$	2016 \$	2015 \$	2014 \$
Income and Expense Items					
Net interest (expenses) income	(631,388)	(236,441)	384,736	1,081,496	694,190
Dividend income	7,588,559	4,147,891	3,399,044	2,587,780	7,874,758
Gains (losses) on investments	10,893,179	15,227,092	34,832,011	(3,129,227)	28,362,934
Other (losses) income	(9,912,317)	3,281,818	(4,154,241)	(2,675,088)	(1,217,400)
Total income	7,938,033	22,420,360	34,461,550	(2,135,039)	35,714,482
Total expenses	3,703,016	2,863,038	1,893,335	1,976,456	3,532,777
Net income (loss) before tax	4,235,017	19,557,322	32,568,215	(4,111,495)	32,181,705
Income tax expense	(51,821)	(130,790)	(278,121)	(19,203)	(9,170)
Net income (loss)	4,183,196	19,426,532	32,290,094	(4,130,698)	32,172,535

Balance Sheet

Financial investments	402,973,991	360,969,899	332,038,271	209,864,255	218,284,392
Other assets	4,366,226	7,172,058	14,886,105	6,124,777	5,295,345
Total assets	407,340,217	368,141,957	346,924,376	215,989,032	223,579,737
Total liabilities	43,230,069	6,898,242	116,526,005	6,813,958	8,469,131
Total equity	364,110,148	361,243,715	230,398,371	209,175,074	215,110,606

Per Common Share

NAV per share	18.15	18.55	18.66	17.74	18.96
Share price	16.00	14.00	13.75	13.00	13.75
Dividend paid	0.50	0.48	0.44	0.42	0.37

FINANCIAL STATEMENTS

TOTAL EQUITY AT
30 SEPTEMBER 2018

\$364.1

MILLION
(2017: \$361.2 million)

PROFIT FOR THE YEAR

\$4.2

MILLION
(2017: \$19.4 million)

FINAL DIVIDEND
PER SHARE OF

\$0.29

(2017: \$0.28)

IN THIS SECTION:

- 48 Independent Auditor's Report
- 51 Financial Statements
- 56 Notes to Financial Statements

Total dividend payment for 2018 was \$0.50 a share, an increase of \$0.02 per share compared to 2017.

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Somers Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Somers Limited (the "Company"), which comprise the consolidated statement of financial position as at September 30, 2018, 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 give a true and fair view of the consolidated financial position of the Company as at September 30, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The key audit matter that arose is as follows:

Valuation of the unquoted investment portfolio

As presented in the Significant Accounting Policies, per Note 2, and in Notes 3, 4, 5 and 19 to the consolidated financial statements, the Company holds investments in unquoted equity and debt securities at September 30, 2018 with an estimated fair value of US\$ 341.0 million, representing approximately 85% of total assets, where quoted prices do not exist. Such unquoted equity investments and debt securities are carried at their estimated fair values based upon management's judgement using the principles of the International Private Equity and Venture Capital Association ("IPEV") valuation guidelines.

The valuation of the unquoted equity and debt securities held in the Company's investment portfolio is the 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 EBITDA, or using information from recent comparable transactions observable in the marketplace, or the underlying net asset value, or fair market value or by using the replacement cost/net asset approach.



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

Other Information

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The Engagement Partner on the audit resulting in this Independent Auditor's Report is Neil Patterson.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
December 14, 2018

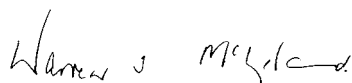
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2018 (Expressed in United States Dollars)

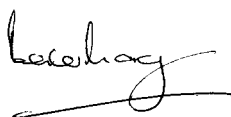
Notes	2018 \$	2017 \$
Assets		
16	187,917	2,581,893
7	2,422,995	1,640,641
16	86,102	212,052
6, 16	1,669,212	2,737,472
3, 16	402,973,991	360,969,899
	Total assets	407,340,217
Liabilities		
	68,029	-
8, 16	1,624,095	2,398,242
9, 16	41,537,945	4,500,000
	Total liabilities	43,230,069
	NET ASSETS	364,110,148
Equity		
10	2,006	1,948
10	294,748,410	286,063,186
10	-	-
	(13,946,457)	(13,558,072)
	83,306,189	88,736,653
	TOTAL EQUITY	364,110,148

See accompanying notes.

Signed on behalf of the Board:



Warren McLeland
Chairman



David Morgan
Director

CONSOLIDATED STATEMENT OF INCOME

For the Year Ended September 30, 2018 (Expressed in United States Dollars)

Notes	2018 \$	2017 \$
Income		
13, 16 Interest income	340,674	1,039,594
16 Interest expense	(972,062)	(1,276,035)
Net interest expense	(631,388)	(236,441)
16 Dividend income	7,588,559	4,147,891
14, 16 Gains on investments	10,893,179	15,227,092
Other income	24,381	-
Net foreign exchange (losses) gains	(9,936,698)	3,281,818
TOTAL INCOME	7,938,033	22,420,360
Expenses		
16 Investment management fees	2,073,344	1,231,431
16 Legal and professional fees	522,142	715,837
Audit and accounting fees	311,297	339,574
16 Directors' fees	65,000	65,000
16 General and administrative expenses	731,233	511,196
TOTAL EXPENSES	3,703,016	2,863,038
Net income before tax	4,235,017	19,557,322
15 Income tax expense	(51,821)	(130,790)
NET INCOME	4,183,196	19,426,532

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended September 30, 2018 (Expressed in United States Dollars)

	2018 \$	2017 \$
Net income for the year	4,183,196	19,426,532
OTHER COMPREHENSIVE (LOSS) INCOME		
Exchange differences on translation of foreign operations	(60,867)	(75,905)
Net unrealised gain on available-for-sale financial investments	1,485,676	728,196
Reclassification of gains on available-for-sale financial investments realised in net income	(1,813,194)	(48,917)
Other comprehensive (loss) income	(388,385)	603,374
TOTAL COMPREHENSIVE INCOME	3,794,811	20,029,906

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended September 30, 2018 (Expressed in United States Dollars)

Notes	Capital Stock \$	Contributed Surplus \$	Treasury Stock \$	Other Comprehensive (Loss) Income \$	Retained Earnings \$	Total \$
October 1, 2016	1,211	166,915,045	-	(14,161,446)	77,643,561	230,398,371
Net income for the period	-	-	-	-	19,426,532	19,426,532
Other comprehensive income	-	-	-	603,374	-	603,374
10 Issue of share capital	21	2,957,756	-	-	-	2,957,777
Exercise of convertible loan notes	469	82,885,125	-	-	-	82,885,594
10 Exercise of warrants	249	33,623,917	-	-	-	33,624,166
10 Net purchase of treasury stock	-	-	(318,659)	-	-	(318,659)
10 Cancellation of treasury stock	(2)	(318,657)	318,659	-	-	-
12 Dividends	-	-	-	-	(8,333,440)	(8,333,440)
September 30, 2017	1,948	286,063,186	-	(13,558,072)	88,736,653	361,243,715
Net income for the period	-	-	-	-	4,183,196	4,183,196
Other comprehensive loss	-	-	-	(388,385)	-	(388,385)
10 Issue of share capital	61	9,147,191	-	-	-	9,147,252
10 Net purchase of treasury stock	-	-	(461,970)	-	-	(461,970)
10 Cancellation of treasury stock	(3)	(461,967)	461,970	-	-	-
12 Dividends	-	-	-	-	(9,613,660)	(9,613,660)
September 30, 2018	2,006	294,748,410	-	(13,946,457)	83,306,189	364,110,148

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2018 (Expressed in United States Dollars)

	2018 \$	2017 \$
Operating activities		
Net income	4,183,196	19,426,532
Adjustments to reconcile net income to cash flows provided by (used in) operating activities:		
Gains on investments	(10,893,179)	(20,408,000)
Foreign exchange losses (gains) on investments	12,623,884	(3,620,543)
Decrease in interest receivable	125,949	144,943
Increase in other assets	(782,354)	(1,557,752)
Increase (decrease) in interest payable	68,029	(107,638)
(Decrease) increase in other liabilities	(774,147)	988,979
Net cash provided by (used in) operating activities	4,551,378	(5,133,479)
Investing Activities		
Net decrease in loans and receivables	1,068,260	10,956,809
Proceeds from sale of financial investments	6,474,127	14,342,325
Purchases of financial investments	(50,597,308)	(18,642,036)
Net cash (used in) provided by investing activities	(43,054,921)	6,657,098
Financing Activities		
Net increase in interest bearing loans and borrowings	37,037,945	11,147,126
Repayment of convertible loan notes	-	(6,929,863)
Proceeds from issue of shares	-	487,498
Net purchase of treasury stock	(461,970)	(318,659)
Dividends paid (excludes dividends satisfied by issue of shares)	(466,408)	(4,079,768)
Net cash provided by financing activities	36,109,567	306,334
Net (decrease) increase in cash and cash equivalents	(2,393,976)	1,829,953
Cash and cash equivalents, beginning of year	2,581,893	751,940
Cash and cash equivalents, end of year	187,917	2,581,893
Non-cash investing and financing activities:		
Issuance of shares under dividend reinvestment plan	9,147,252	4,253,672
Repayment of borrowings offset against proceeds from exercise of warrants	-	33,136,668

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018 (Expressed in United States Dollars)

1. DESCRIPTION OF BUSINESS

Somers Limited ("Somers") is a Bermuda exempted investment company listed on the Bermuda Stock Exchange with 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 34 Bermudiana Road, Hamilton HM 11, Bermuda.

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

As at September 30, 2018, the significant shareholders (the "Major Shareholders") in the Company, who held, in aggregate 93.39% (2017: 93.08%) of Somers' issued share capital, are as follows:

- Permanent Investments Limited ("Permanent") holds 46.03% (2017: 45.88%) – incorporated in Bermuda;
- UIL Limited ("UIL") holds 44.25% (2017: 44.11%) – incorporated in Bermuda; and
- Permanent Mutual Limited ("Permanent Mutual") holds 3.11% (2017: 3.09%) – 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 financial statements were authorised for issue in accordance with a resolution of the directors on December 14, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in United States Dollars, which

is the Company's functional and presentational currency. All values are rounded to the nearest dollar, except when otherwise indicated.

Statement of Compliance

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

Presentation of Consolidated Financial Statements

The Company presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding the maturity or settlement of the financial assets and liabilities within 12 months after the reporting date (current), and more than 12 months after the reporting date (non-current), is presented in note 17.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its operating subsidiaries, Somers UK (Holdings) Limited, Somers Pte. Ltd, Somers Treasury Pty Ltd and Somers AM Pty Ltd. The financial statements of SI Asset Management S.a.r.l. and Somers Luxembourg S.a.r.l. are also included until their deregistration in December 2017. All intercompany balances and transactions are eliminated on consolidation. Non-consolidated 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 IAS 39 *Financial Instruments: Recognition and Measurement*. Details of the non-consolidated 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 consideration of liquidity 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 19.

Impairment Losses on Loans and Advances

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

Foreign Currency Translation

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

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

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

On consolidation, the assets and liabilities of foreign operations are translated into US Dollars at the rate of exchange on

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

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of cash and term deposits which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and have original maturities of three months or less.

Financial Instruments – Initial Recognition and Subsequent Measurement

Date of Recognition

All financial assets and financial liabilities are initially recognised on the trade date basis,

which is the date that the Company becomes a party to the contractual provisions of the instrument. This includes purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

Initial Recognition of Financial Instruments

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

The Company classifies its financial assets into the following categories:

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

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

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on a different basis; or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2018 (Expressed in United States Dollars)

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

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

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

Derivatives Recorded at Fair Value through Profit or Loss

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

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

The embedded derivatives separated from the host contract are carried at fair value through profit or loss.

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

Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention

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

Available-for-Sale Financial Investments

Available-for-sale financial investments include equity investments, debt securities and portfolio funds. Equity investments classified as available-for-sale are those that are not designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Changes in unrealised gains and losses, with the exception of foreign exchange gains and losses, which are recorded in the consolidated statement of income, are recognised directly in equity under other comprehensive income or loss. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is included in the gains or losses on investments in the consolidated statement of income.

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

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 19.

Impairment of Financial Assets

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

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

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

Derivative Financial Instruments

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

Derivatives are carried at fair value and presented in the consolidated statement of financial position on a gross basis. These include exchange traded options, warrants and other derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. An embedded derivative is a component of a hybrid instrument that includes a non-derivative host contract, with the effect that some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivative. When an embedded

derivative is separated, the host contract is accounted for based on accounting standards applicable to contracts of that type without the embedded derivative.

Interest-Bearing Loans and Borrowings

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

Recognition of Income

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

Interest Income

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

Dividend Income

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

Expenses

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

Dividends on Common Shares

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

Earnings Per Share

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2018 (Expressed in United States Dollars)

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018 and have not been applied in preparing these consolidated accounts. None of these, including IFRS 9 'Financial Instruments' regarding the classification and measurement of financial assets, are expected to have a significant effect on the consolidated accounts of the Company. The Company does not plan to adopt IFRS 9 early.

3. FINANCIAL INVESTMENTS

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

	2018 \$	2017 \$
Financial assets at fair value through profit or loss		
Equity investments	396,374,401	349,059,406
Debt securities	3,910,200	5,233,758
Total	400,284,601	354,293,164
Available-for-sale financial assets		
Equity investments	2,689,390	6,676,735
Total	2,689,390	6,676,735
Total financial investments	402,973,991	360,969,899

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

	2018 \$	2017 \$
Financial assets at fair value through profit or loss		
Fair value at beginning of year	354,293,164	327,910,493
Purchase of investments	49,685,839	16,803,420
Proceeds from disposal of investments	(281,139)	(14,113,678)
Net fair value movement in the year (including foreign exchange gains and losses)	(3,413,263)	23,692,929
Fair value at end of year	400,284,601	354,293,164
Available-for-sale financial assets		
Fair value at beginning of year	6,676,735	4,127,778
Purchase of investments	911,469	1,838,616
Proceeds from disposal of investments	(6,192,988)	(228,647)
Net fair value movement in the year (including foreign exchange gains and losses)	1,294,174	938,988
Fair value at end of year	2,689,390	6,676,735
Total financial investments	402,973,991	360,969,899

4. SUBSIDIARY UNDERTAKINGS

The following were consolidated subsidiary undertakings of the Company at September 30, 2018 and September 30, 2017.

	Country of operation, registration and incorporation	Holdings and voting rights %	
		2018	2017
Somers AM Pty Ltd	Australia	100%	100%
Somers Treasury Pty Ltd	Australia	100%	100%
Somers Pte. Ltd	Singapore	100%	100%
Somers UK (Holdings) Limited	United Kingdom	100%	100%
SI Asset Management S.a.r.l. ⁽¹⁾	Luxembourg	-	100%
Somers Luxembourg S.a.r.l. ⁽¹⁾	Luxembourg	-	100%

(1) Deregistered December 28, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2018 (Expressed in United States Dollars)

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

Details of these undertakings are as follows:

	Country of registration, incorporation and operations	Number of ordinary shares held	Percentage of ordinary shares held
Resimac Group Limited ("Resimac") (formerly Homeloans Limited)	Australia	248,794,304	62.30%
Bermuda Commercial Bank Limited ("BCB")	Bermuda	7,003,318	100.00%
West Hamilton Holdings Limited ("West Hamilton")	Bermuda	1,659,390	57.06%
Waverton Investment Management Limited ("Waverton")	UK	10,750,000	62.50%
PCF Group plc ("PCF")	UK	118,385,824	55.78% ⁽¹⁾
Stockdale Securities Limited ("Stockdale")	UK	1,559,984,735	75.00% ⁽²⁾
RESIMAC Treasury Services (UK) Ltd ("RTSL")	UK	100	100.00%

(1) BCB holds an additional 21,010,723 (9.90%) ordinary shares in PCF for an aggregate group holding of 139,396,547 (65.68%) shares.

(2) As at September 30, 2018, the shares held by Somers conferred the right to 75% of the economic, voting and other rights attaching to the issued share capital of Stockdale irrespective of the number of shares in issue. During the 2016 financial year, Stockdale created a new class of ordinary shares, E ordinary shares, and issued these shares to Stockdale employees to create wider equity participation in Stockdale and as part of a long-term employee performance incentive plan. The E Ordinary shares were, as a class, entitled to participate in 25% of the equity rights in Stockdale on a proportionate basis with the other classes of ordinary shares until September 30, 2018. Upon Stockdale achieving the specified performance conditions, the E ordinary shareholders became entitled to 45% of the equity rights on October 1, 2018 and Somers' equity rights were reduced to 55%.

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, 2018, none of which are considered to be individually material to Somers:

	Country of registration, incorporation and operations	Number of ordinary shares held	Percentage of ordinary shares held
AK Jensen Group Limited ("AKJ")	Bermuda	19,580,471	38.05%
Incol Limited ("Incol")	Ireland	100,000	23.81%
Merrion Capital Holdings Limited ("Merrion")	Ireland	12,312	22.57%

Transactions with associate undertakings are disclosed in note 16.

6. LOANS AND RECEIVABLES

Loans and receivables at September 30 were as follows:

	2018 \$	2017 \$
Loans to unconsolidated subsidiaries	-	1,965,920
Loans to associates	1,448,758	771,552
Loans to other investment portfolio companies	220,454	-
Total	1,669,212	2,737,472

7. OTHER ASSETS

Other assets at September 30 were as follows:

	2018 \$	2017 \$
Dividends receivable	1,618,457	1,365,761
Prepayments and other receivables	804,538	274,880
Total	2,422,995	1,640,641

Dividends receivable represent dividends declared by certain of the Company's investments but not yet paid as at September 30.

8. OTHER LIABILITIES

Other liabilities at September 30 were as follows:

	2018 \$	2017 \$
Accounts payable	408,363	355,764
Payables for financial investments purchased	-	150,577
Accrued liabilities	1,088,343	551,259
Financial investment termination provision	127,389	1,340,642
Total	1,624,095	2,398,242

Financial Investment Termination Provision

During 2017 the Company committed to terminating its investment in its unconsolidated subsidiary, RESIMAC Treasury Services (UK) Ltd ("RTSL") and selling its mortgage loan book. The Company made this decision following a reassessment of the expected future cash flows from RTSL. The sale of the loan book was completed in October 2017, however the proceeds from this sale were not sufficient to satisfy all of RTSL's outstanding liabilities. A substantial majority of these liabilities were payable to Somers and entities related to Somers and Somers had committed to funding these liabilities. The Company recognised a provision of \$5,180,908 in 2017 relating to the expected costs of satisfying these outstanding liabilities. The Company offset \$3,840,266 of this provision against loans and receivables due from RTSL to the Company resulting in a net provision balance of \$1,340,642 as at September 30, 2017. The majority of the remaining outstanding liabilities were settled by Somers during the year and the remaining unsettled balance of this provision was \$127,389 as at September 30, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2018 (Expressed in United States Dollars)

9. INTEREST BEARING LOANS AND BORROWINGS

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

	2018 \$	2017 \$
\$4.5 million loan facility from BCB	4,500,000	4,500,000
£25.0 million loan facility from BNTB	32,585,000	–
Total bank borrowings	37,085,000	4,500,000
USD 6% loan facility from UIL	3,650,000	–
GBP 6% loan facility from UIL	802,945	–
Total	41,537,945	4,500,000

BCB Loan

This \$4.5 million loan facility from BCB carries an interest rate of the BCB base rate (5.25% as at September 30, 2018) plus 1.75%. The facility is unsecured and is subject to annual principal repayments of \$1.0 million commencing August 30, 2019 with a final repayment date of August 31, 2023.

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

This dual-tranche £25 million loan facility from the BNTB carries various interest rates between three-month GBP LIBOR plus 4.0% and three-month GBP LIBOR plus 4.5%. The facility is secured against certain securities within the Company's investment portfolio. The facility is subject to a £5.0 million principal repayment on December 31, 2018, followed by annual principal repayments of £4.0 million and a final repayment date of June 26, 2023. At year end, £25 million was drawn down on this facility.

USD 6% Loan Facility from UIL

This unsecured facility from UIL carries a fixed interest rate of 6% and is repayable upon UIL giving Somers not less than 12 months' notice. At year end, \$3,650,000 was drawn down on this facility.

GBP 6% Loan Facility from UIL

This unsecured facility from UIL carries a fixed interest rate of 6% and is repayable upon UIL giving Somers not less than 12 months' notice. At year end, £616,039 (\$802,945) was drawn down on this facility.

Compliance with Loan Covenants

Somers has complied with all of the financial covenants of its borrowing facilities during the 2018 and 2017 reporting periods, see note 10 for details.

10. EQUITY

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

	Authorised Shares	Par Value \$	Issued & Fully Paid Shares	Par Value \$	Contributed Surplus \$
Balance at October 1, 2016	120,000,000	12,000	12,105,086	1,211	166,915,045
Issuance of 215,422 shares under dividend reinvestment plan	-	-	215,422	21	2,957,756
Exercise of convertible loan notes	-	-	4,688,261	469	82,885,125
Exercise of warrants	-	-	2,490,679	249	33,623,917
Cancellation of treasury stock	-	-	(23,989)	(2)	(318,657)
Balance at September 30, 2017	120,000,000	12,000	19,475,459	1,948	286,063,186
Issuance of 614,178 shares under dividend reinvestment plan	-	-	614,178	61	9,147,191
Cancellation of treasury stock	-	-	(31,376)	(3)	(461,967)
Balance at September 30, 2018	120,000,000	12,000	20,058,261	2,006	294,748,410

Treasury Stock

	2018		2017	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance at beginning of year	-	-	-	-
Purchase of treasury stock	31,376	461,970	23,989	318,659
Cancellation of treasury stock	(31,376)	(461,970)	(23,989)	(318,659)
Balance at end of year	-	-	-	-

Regulatory Capital

Certain of Somers' unconsolidated subsidiaries have external regulatory capital requirements. BCB has complied with all minimum capital requirements prescribed by its Bermuda regulator, the Bermuda Monetary Authority, for the current year. PCF has complied with all minimum capital requirements prescribed by its dual regulators in the UK, the Prudential Regulation Authority and the Financial Conduct Authority, for the current year. Waverton's lead regulator in the UK, the Financial Conduct Authority, sets and monitors capital requirements for Waverton and it was in compliance during the year. Stockdale's regulator in the UK, the Financial Conduct Authority, sets and monitors capital requirements for Stockdale and it was in compliance during the year.

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

Loan Covenants

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

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. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payments to shareholders, return capital to shareholders, or issue new capital securities.

There were no changes in the Company's approach to capital management during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2018 (Expressed in United States Dollars)

Dividend Reinvestment Plan

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

11. EARNINGS PER SHARE

	Net Earnings \$	Weighted Average Shares	Earnings per Share \$
2018			
Basic Earnings Per Share			
Net profit	4,183,196	19,772,550	0.21
Diluted Earnings Per Share			
Net profit	4,183,196	19,772,550	0.21
2017			
Basic Earnings Per Share			
Net profit	19,426,532	13,903,372	1.40
Diluted Earnings Per Share			
Net profit	19,426,532	13,903,372	1.40

12. DIVIDENDS

The Company declared and paid dividends as follows:

	2018 \$	2017 \$
Final dividend for the year ended September 30, 2017 of 28.0 cents (2016: 26.0 cents) per common share. Paid January 2018	5,451,783	4,443,153
Interim dividend for the year ended September 30, 2018 of 21.0 cents (2017: 20.0 cents) per common share. Paid July 2018	4,161,877	3,890,287
Total	9,613,660	8,333,440

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended September 30, 2018 and 2017 were as follows:

	2018 \$	2017 \$
Paid in cash	466,408	4,079,768
Satisfied by issue of shares	9,147,252	4,253,672
Total	9,613,660	8,333,440

The Directors declared a final dividend in respect of the year ended September 30, 2018 of \$0.29 per share which will be paid on February 22, 2019 to all shareholders of record as at close of business on January 18, 2019.

13. INTEREST INCOME

The Company earned interest income as follows:

	2018 \$	2017 \$
Loans and receivables	205,908	517,802
Financial assets at fair value through profit or loss	134,766	493,999
Factored receivables	-	27,793
Total	340,674	1,039,594

14. GAINS ON INVESTMENTS

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

	2018 \$	2017 \$
Financial assets at fair value through profit or loss		
Unrealised gains on investments	8,993,866	25,663,745
Financial investment termination provision (Note 8)	-	(5,180,908)
Realised gains (losses) on sale of investments	86,119	(5,304,662)
Total	9,079,985	15,178,175
Available-for-sale financial assets		
Unrealised gains on investments	-	-
Realised gains on sale of investments	1,813,194	48,917
Total	1,813,194	48,917
Total gains on investments	10,893,179	15,227,092

15. INCOME TAX

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:

	2018 \$	2017 \$
Overseas taxation	51,821	130,790
Total	51,821	130,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2018 (Expressed in United States Dollars)

16. RELATED-PARTY DISCLOSURES

As at September 30, 2018, the Major Shareholders held, in aggregate, 93.39% (2017: 93.08%) 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 Permanent, Permanent Mutual and ICM and 70.0% of UIL's ordinary shares), Mr Duncan Saville (who owns 100% of SIPTCL), entities controlled by these entities and individuals, the subsidiaries of the Company set out under note 4, the associates of the Company set out under note 5, and the Board of Directors.

The following transactions were carried out during the year ended September 30, 2018, between the Company and its related parties:

Bermuda Commercial Bank Limited

Somers uses BCB for banking services and these services are provided under the same terms as an unrelated party would receive. For the year ended September 30, 2018, Somers paid BCB fees of approximately \$69,331 (2017: \$80,108) for banking services.

At September 30, 2018, Somers had deposits with BCB amounting to \$119,378 (2017: \$2,392,523).

As detailed in note 9 the Company has a \$4.5 million (2017: \$4.5 million) loan facility from BCB which carries an interest rate of the BCB US\$ base rate plus 1.75%. The facility is unsecured and is subject to annual principal repayments of \$1.0 million commencing August 30, 2019 with a final repayment date of August 31, 2023.

On June 28, 2018 Somers acquired 94,548,324 shares in PCF Group plc from BCB for consideration of \$38,671,588. Somers acquired no other securities from BCB during the year (2017: \$4,833,450). There were no payables as a result of the purchase of these securities at the year end (2017: \$nil).

Resimac Group Limited

Resimac paid Somers A\$4,459,965 (2017: A\$3,481,903) of dividends during the year, of which A\$2,239,149 (2017: A\$1,742,487) was receivable at year end.

At September 30, 2017 Resimac had a loan receivable from an unconsolidated subsidiary of Somers, RESIMAC Treasury Services (UK) Ltd of A\$1,846,368. Somers had previously committed to funding this loan and recognised a provision in its prior year accounts for the repayment of the loan. During the current year this loan was fully repaid and Somers incurred interest charges of A\$126,388 of which A\$nil was payable at year end.

Waverton Investment Management Limited

Somers received £3,062,568 (2017: £937,500) of dividends during the year from Waverton.

PCF Group plc

Somers received £45,291 (2017: £23,100) of dividends during the year from PCF.

West Hamilton Holdings Limited

Somers received \$nil (2017: \$165,939) dividends during the year from West Hamilton.

Stockdale Securities Limited

In December 2015 Somers provided a £2,200,000 loan facility to Stockdale. The loan had an original term of 5 years and carried a fixed interest rate of 5%. This loan was repaid in full during the year (2017: principal balance of £1,466,667 was outstanding). During the year Somers charged Stockdale interest of £22,611 (2017: £104,640) of which £nil was receivable at September 30, 2018 (2017: £18,990).

During the year Somers paid Stockdale £25,000 (2017: £25,000) for consultancy services, which is included in legal and professional fees in the consolidated statement of income.

AK Jensen Group Limited

Somers provided a \$2,000,000 loan facility to AKJ in January 2018. The loan carries a fixed interest rate of 10% and is repayable on January 8, 2020. At year end \$1,400,000 was drawn down on this facility. Somers earned interest and fees of \$127,885 during the year of which \$35,228 was receivable at year end.

Incol Limited

Somers has a loan receivable from Incol of €42,000 (2017: €42,000). The loan is unsecured and carries no interest.

UIL Limited

Somers has entered into a number of loan facilities with UIL. These unsecured facilities carry a fixed interest rate of 6% and are repayable upon UIL giving Somers not less than 12 months' notice. At year end balances of \$3,650,000 and £616,039 (2017: \$nil and £nil) were drawn down on these facilities. Somers incurred interest expenses of \$121,402 (2017: \$836,138) on these loans during the year.

Somers advanced £3,400,000 to UIL in January 2018 and this was repaid in May 2018. Somers received £20,866 interest on this loan.

FX forwards were entered into with UIL during the year. Somers bought \$29.9 million from UIL in exchange for £22.0 million and also bought \$57.0 million in exchange for A\$72.5 million. This resulted in a gain for the year ended September 30, 2018 of \$2,159,516. There were no FX forwards open at year end.

During the year, Somers bought securities in AKJensen Group Limited from UIL at their fair value of \$3,997,435.

Permanent Mutual Limited

Somers borrowed £683,961 from Permanent Mutual in June 2018 and this was repaid in September 2018. Somers paid £10,456 interest on this loan.

ICM Limited

ICM Limited is the investment manager of Somers and UIL and investment adviser to BCB. The Directors of ICM are Duncan Saville, Charles Jillings and Alasdair Younie who are all directors of Somers.

In December 2014, Somers entered into a revised investment manager agreement with ICM. This revised agreement replaced an agreement entered into in December 2012 and remains in force until terminated by Somers, by giving ICM not less than six month's written notice of termination, or by ICM giving Somers not less than three months written notice of termination, or such lesser period of notice as Somers and ICM agree.

Somers has agreed to pay ICM an annual fee for its advisory services equal to 0.50% (payable quarterly in arrears) of the gross asset value of qualifying investments within Somers' financial investment portfolio. For the year ended September 30, 2018, this fee amounted to \$2,073,344 (2017: \$1,231,431), of which \$724,956 (2017: \$nil) 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. The growth in Somers' equity did not exceed the Hurdle Rate in 2018 and therefore no performance fee was payable for the year ended September 30, 2018 (2017: \$nil).

ICM provided administration and other professional services to Somers for which Somers paid fees of \$50,000 (2017: \$50,000) and this is included in "Audit and accounting fees" in the Consolidated Statement of Income.

The Board of Directors

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

	2018	2017
Duncan Saville	9,856,757	9,539,187
Charles Jillings	85,626	83,000
Warren McLeland	48,006	46,464
David Morgan	6,750	6,750

The Company's directors' fees for the year ended September 30, 2018, amounted to \$65,000 (2017: \$65,000).

Charles Jillings was a director of Waverton during the year ended September 30, 2018 and received directors' fees of \$53,738 in the year (2017: \$51,410). Alasdair Younie was a director of West Hamilton and BCB during the year ended September 30, 2018 and received directors' fees of \$7,500 and \$22,875, respectively, in the year (2017: \$7,500 and \$28,500). Duncan Saville was a director of West Hamilton and Resimac during the year ended September 30, 2018 and received directors' fees of \$7,500 and \$46,917, respectively, in the year (2017: \$7,500 and \$nil). Warren McLeland was a director of Resimac during the year ended September 30, 2018 and received directors' fees of \$56,919 in the year (2017: \$36,423). David Morgan was a director of BCB, Waverton and PCF during the year ended September 30, 2018 and received directors' fees of \$33,000, \$53,738 and \$49,539, respectively (2017: \$36,000, \$51,410 and \$33,738). Morwill Ltd, a company related to Mr Morgan, also received fees for providing services to Somers of \$129,379 for the year (2017: \$103,853).

BCB also provides banking services to directors under normal commercial terms. At September 30, 2018, directors and parties associated with directors had deposit balances with BCB of \$161,652 (2017: \$317,004).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2018 (Expressed in United States Dollars)

Other

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

BCB

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

Loans and advances to customers

At September 30, 2018, BCB had total loans and advances receivable from related parties of Somers amounting to \$16,029,986 (2017: \$12,656,100), of which \$4,000,000 (2017: \$6,165,095) was unsecured and \$12,029,986 (2016: \$9,140,575) was secured by the related parties' cash and portfolio assets custodied by BCB. The undrawn portion of credit facilities with related parties of Somers at September 30, 2018 totaled \$nil (2017: \$121,839).

For the year ended September 30, 2018, BCB earned net interest and fees of \$1,613,733 (2017: \$1,139,171) for banking services provided to related parties of Somers.

At September 30, 2018, BCB had one investment in asset-backed notes in a securitisation entity set up by Resimac, with a carrying value of \$1,734,720 (2017: \$22,309,681).

As at September 30, 2018, BCB held \$13.0 million (£10.0 million) in extendible loan notes issued by PCF (2017: \$53.6 million (£40.0 million)).

Deposit Liabilities

At September 30, 2018, BCB had deposit balances placed by Somers' related parties amounting to \$7,867,899 (2017: \$5,750,234).

Investment Adviser Agreement with ICM

BCB has entered into an investment adviser agreement with ICM and has agreed to pay ICM an annual fee for its advisory services equal to 0.50% of the value of BCB's investment portfolio. For the year ended September 30, 2018, such fees amounted to \$421,680 (2017: \$529,242) of which \$107,508 remained payable at year end (2017: \$128,157). In addition, pursuant to a consultancy agreement, a fee of \$100,000 (2017: \$100,000) was paid to ICM for its consultancy services, of which \$25,000 remained payable at year end (2017: \$25,000).

In addition, depending upon the performance of its investment portfolio, BCB may determine that the Investment Adviser should receive performance fees on account of the services provided. During the year ended September 30, 2018, BCB incurred a performance fee of \$nil (2017: \$950,000) of which \$nil remained payable at year end (2017: \$950,000).

RTSL

At September 30, 2017 BCB held £12,500,000 of promissory notes issued by RTSL. These promissory notes carried an interest rate of twelve-month Sterling LIBOR plus 5.5%. In October 2017 the promissory notes were called and were repaid in full to BCB.

At September 30, 2017, RTSL had a loan balance owing to Resimac of A\$1,846,368 (2016: A\$3,312,317). Somers had previously committed to funding this loan and recognised a provision in its 2017 accounts for the repayment of the loan. In April 2018 this loan was repaid in full to Resimac by Somers.

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 and owned by Mr Duncan Saville.

17. RISK MANAGEMENT

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

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

(a) Market Risk

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

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

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

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

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

Currency exposure

Currency risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of certain of the Company's assets and liabilities. The Company's functional currency is the US Dollar. As a result, foreign currency assets and liabilities are translated to US Dollars. The Company maintains investments in Sterling, Australian Dollars, Euros, and other currencies, and may invest in financial instruments and enter into transactions denominated in currencies other than US Dollars.

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

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

The Company's underlying investments are denominated in Sterling, Australian Dollars, Euros, New Zealand Dollars, Singapore Dollars, Canadian Dollars and US Dollars. The Investment Manager considers currency risk when making investments into non-US Dollar denominated assets and monitors currency movements on an ongoing basis. The Investment Manager discusses its foreign currency policies with the Board of Directors on a regular basis and may choose to alter its asset allocation or currency risk strategies as a result.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2018 (Expressed in United States Dollars)

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

2018						
	Financial Assets \$	Financial Liabilities \$	Net Financial Assets \$	% of Company Net Financial Assets	Hedging Contracts \$	Net Exposure \$
Sterling	150,564,212	(33,464,153)	117,100,059	32.2%	-	117,100,059
Australian Dollar	134,390,249	(2,487)	134,387,762	36.9%	-	134,387,762
Euro	3,482,231	(81,263)	3,400,968	0.9%	-	3,400,968
New Zealand Dollar	583,351	-	583,351	0.2%	-	583,351
Canadian Dollar	417,450	-	417,450	0.1%	-	417,450
Singapore Dollar	341,006	(73)	340,933	0.1%	-	340,933
Total	289,778,499	(33,547,976)	256,230,523	70.4%	-	256,230,523

2017						
	Financial Assets \$	Financial Liabilities \$	Net Financial Assets \$	% of Company Net Financial Assets	Hedging Contracts \$	Net Exposure \$
Sterling	120,865,702	(1,542,839)	119,322,863	33.0%	-	119,322,863
Australian Dollar	111,036,659	(10,089)	111,026,570	30.7%	-	111,026,570
Euro	3,173,917	(59,746)	3,114,171	0.9%	-	3,114,171
New Zealand Dollar	889,827	-	889,827	0.2%	-	889,827
Singapore Dollar	60,580	(72)	60,508	0.0%	-	60,508
Total	236,026,685	(1,612,746)	234,413,939	64.8%	-	234,413,939

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

Strengthening of US Dollar

2018						
	Sterling £	Australian Dollar \$	Euro €	New Zealand Dollar \$	Canadian Dollar \$	Singapore Dollar \$
Net income for the year	(11,710,006)	(13,438,776)	(340,097)	(58,335)	(41,745)	(34,093)
NAV per share – Basic	(0.58)	(0.67)	(0.02)	(0.00)	(0.00)	(0.00)

2017						
	Sterling £	Australian Dollar \$	Euro €	New Zealand Dollar \$	Canadian Dollar \$	Singapore Dollar \$
Net income for the year	(11,932,286)	(11,102,657)	(311,417)	(88,983)	-	(6,051)
NAV per share – Basic	(0.61)	(0.57)	(0.02)	(0.00)	-	(0.00)

Weakening of US Dollar

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

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

Interest rate exposure

The Company's exposure to the risk of changes in interest rates relates primarily to its holding of convertible debt securities within its financial investments portfolio and its \$37,085,000 (2017: \$4,500,000) of variable rate bank loans. Apart from its bank loans, the Company had no floating rate debt obligations at September 30, 2018 (2017: \$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.

At September 30, 2018 the Company held convertible debt securities with a fair value of \$3,910,200 (2017: \$5,233,758) with remaining terms to maturity of 2.5 years (2017: 3.5 years). These securities have fixed interest rates. Changes in prevailing interest rates or changes in expectations of future rates may

result in an increase or decrease in the value of these securities. In general, if interest rates rise, the value of fixed income securities will decline and a decline in interest rates should have the opposite effect.

The Company is, and believes that it will continue to be, subject to additional risks associated with changes in prevailing interest rates due to the fact that its capital is invested in underlying portfolio companies whose capital structures may have a significant degree of indebtedness. Investments in leveraged companies are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. A leveraged company's income and net assets also tend to increase or decrease at a greater rate than would be the case if leverage was absent. As a result, the risk of loss associated with an investment in a leveraged company is generally greater than for 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, 2018, the Company had bank loans and overdrafts of \$37,085,000 (2017: \$4,500,000), and loans of \$4,452,945 (2017: \$nil) with other entities.

The majority of the Company's assets are non-interest bearing and the assets that do have interest rate exposure are entirely at fixed rates. Excess cash held by the Company may be invested in short term fixed deposit accounts that are rolled over on a regular basis. 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.

	2018 \$	2017 \$
Fixed rate instruments		
Financial assets	4,227,254	6,177,004
Financial liabilities	(4,452,945)	-
	(225,691)	6,177,004
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(37,085,000)	(4,500,000)
	(37,085,000)	(4,500,000)
Total interest rate sensitivity gap	(37,310,691)	1,677,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2018 (Expressed in United States Dollars)

An increase in 100 basis points in interest rates as at the reporting date would have decreased net interest income by \$370,850 (2017: \$45,000). A decrease of 100 basis points would have increased net interest income by \$370,850 (2017: \$45,000).

As described above, a change in interest rates may impact the fair value of the Company's fixed rate debt instruments. An increase in 100 basis points in interest rates as at the reporting date would have reduced gains on investments and basic NAV per share by approximately \$86,463 and \$0.00 respectively (2017: \$120,586 and \$0.01 respectively). A decrease of 100 basis points would have had an equal but opposite effect on net income and basic 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 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 19.

The Company also has direct exposure to assets that are publicly traded on various equity markets. These represent 15.38% (2017: 4.30%) of the Company's portfolio fair value as at September 30, 2018.

(b) Liquidity Risk Exposure

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

The risk of the Company having insufficient liquidity is not considered by the Board to be significant, given the 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 equity portfolio. Where the Investment Manager believes there may be upcoming liquidity requirements, it will take necessary action to ensure that adequate funds are available.

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

	2018				Total \$
	Less than 1 month \$	1 – 3 months \$	3 months – 1 year \$	More than 1 year \$	
Financial asset by type					
Cash and cash equivalents	187,917	-	-	-	187,917
Other assets	2,422,995	-	-	-	2,422,995
Interest receivable	86,102	-	-	-	86,102
Loans and receivables	269,212	-	-	1,400,000	1,669,212
Financial investments	-	-	-	3,910,200	3,910,200
Total	2,966,226	-	-	5,310,200	8,276,426

Financial liability by type					
Other liabilities	1,494,217	2,489	-	-	1,496,706
Interest bearing loans and borrowings	-	6,517,000	3,606,800	31,414,145	41,537,945
Total	1,494,217	6,519,489	3,606,800	31,414,145	43,034,651

	2017				Total \$
	Less than 1 month \$	1 – 3 months \$	3 months – 1 year \$	More than 1 year \$	
Financial asset by type					
Cash and cash equivalents	2,581,893	-	-	-	2,581,893
Other assets	1,640,641	-	-	-	1,640,641
Interest receivable	212,052	-	-	-	212,052
Loans and receivables	-	39,190	421,945	2,276,338	2,737,473
Financial investments	-	-	-	4,021,200	4,021,200
Total	4,434,586	39,190	421,945	6,297,538	11,193,259

Financial liability by type					
Other liabilities	1,053,083	4,517	-	-	1,057,600
Interest bearing loans and borrowings	-	-	1,053,795	3,446,205	4,500,000
Total	1,053,083	4,517	1,053,795	3,446,205	5,557,600

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2018 (Expressed in United States Dollars)

(c) Credit Risk and Counterparty Exposure

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

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

The Company's policy is to provide financial guarantees only for subsidiaries' and associates' liabilities. As set out in note 16, at September 30, 2018, the Company had issued one guarantee to a third party asset manager in relation to the brokerage operations of a subsidiary.

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

	2018 \$	2017 \$
Cash and cash equivalents	187,917	2,581,893
Interest receivable	86,102	212,052
Loans and receivables	1,669,212	2,737,472
Financial investments	3,910,200	5,233,758
Total	5,853,431	10,765,175

(d) Fair Values of Financial Assets and Liabilities

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the consolidated statement of financial position at fair value. Borrowings under loan facilities do not have a value materially different from their capital repayment amount. Borrowings in foreign currencies are

converted into US Dollars at exchange rates ruling at each valuation date.

Unquoted investments are valued based on assumptions and 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 19.

(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.

18. 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.

19. FINANCIAL INSTRUMENTS

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

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

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

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

Financial Instruments Recorded at Fair Value

Available-for-Sale Financial Investments

There were no available-for-sale financial assets valued using valuation techniques during the year ended September 30, 2018 or 2017.

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 and debt securities. The Company adopts valuation methodologies based on the International Private Equity and Venture Capital ("IPEV") valuation guidelines and the assets are valued using models that use both observable

and unobservable data. The unobservable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry, and geographical jurisdiction in which the investee operates.

Valuation methodology

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

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

Fair value estimates obtained from such models are adjusted for any other factors, such as controlling interest, 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. 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 10% and 30% depending on the nature and characteristics of each investment.

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

Resimac – Australia Incorporated

Valuation inputs: Maintainable EV/Profit After Tax ("PAT") multiple of 10.9 times (2017: 11.1).

Valuation Methodology: The Resimac shares were deemed not to trade in an active market and Resimac has been valued based on peer comparisons and in particular EV/PAT. Listed peer valuations average 10.9 times for 2018 resulting in a valuation of A\$288.1 million (2017: A\$232.5 million). Somers holds a 62.3% equity interest in Resimac and, as at September 30, 2018, carried this investment at A\$179.5 million.

Sensitivities: Should the PAT of Resimac move by A\$1.0 million the gain or loss in valuation would be A\$6.8 million. Should the peer group multiple ascribed to Resimac's PAT be reduced/increased by 1.0 the change in valuation for Somers would be A\$16.4 million.

BCB – Bermuda Incorporated

Valuation inputs: Fair value of BCB's identifiable assets and liabilities.

Valuation Methodology: Sum-of-the-parts valuation. Somers has a 100% interest in BCB and this was valued at \$94.9 million (2017: \$102.5 million).

Sensitivities: Should BCB's net assets increase/decline by \$5.0 million the gain/loss in valuation would be \$4.5 million.

Waverton – UK Incorporated

Valuation inputs: Maintainable EV/EBITDA multiple of 12.3 times (2017: 11.8). Unlisted discount applied of 10%.

Valuation Methodology: Waverton has been valued based on peer comparisons and in particular EV/EBITDA. Listed peer valuations average 12.3 times for 2018. After applying a 10% discount the valuation is £94.5 million (2017: £101.6 million). Somers holds a 62.5% equity interest in Waverton and, as at September 30, 2018, carried this investment at £59.0 million (2017: £63.5 million).

Sensitivities: Should the EBITDA of Waverton move by £1.0 million the gain or loss in valuation would be £6.9 million. Should the peer group multiple ascribed to Waverton's EBITDA be reduced/increased by 1.0 the change in valuation for Somers would be £4.6 million.

West Hamilton – Bermuda Incorporated

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

Valuation Methodology: Fair value of West Hamilton's properties held in Hamilton, Bermuda. Somers has a 57.06% interest in West Hamilton. Somers' holding was valued at \$15.9 million (2017: \$26.9 million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2018 (Expressed in United States Dollars)

Other

Valuation Methodology: Somers has an additional twelve unlisted investment holdings with the largest investment being \$5.4 million. These were valued using a variety of methods, including; cost for recent investments, where no material events had taken place since acquisition which would impact fair value, EV/EBITDA multiple, EV/Revenue multiple, expected disposal proceeds (where a sale has been agreed), and fair value of the underlying net assets. The total value of these twelve holdings was \$23.5 million at September 30, 2018 (2017: \$23.4 million).

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

	2018			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Equity investments	59,302,675	-	337,071,726	396,374,401
Debt securities	-	-	3,910,200	3,910,200
	59,302,675	-	340,981,926	400,284,601
Available-for-sale financial assets				
Equity investments	2,689,390	-	-	2,689,390
	2,689,390	-	-	2,689,390
Total	61,992,065	-	340,981,926	402,973,991
	2017			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Equity investments	8,852,672	-	340,206,734	349,059,406
Debt securities	-	-	5,233,758	5,233,758
	8,852,672	-	345,440,492	354,293,164
Available-for-sale financial assets				
Equity investments	6,676,735	-	-	6,676,735
	6,676,735	-	-	6,676,735
Total	15,529,407	-	345,440,492	360,969,899

Movement in Level 3 financial instruments measured at fair value:

	Equity Investments \$	Debt Securities \$	Total \$
Financial assets at fair value through profit or loss			
At October 1, 2016	307,630,037	20,280,456	327,910,493
Total gains (losses) recorded	25,903,525	(3,730,970)	22,172,555
Purchases	6,673,172	2,797,950	9,471,122
Disposals	-	(14,113,678)	(14,113,678)
At September 30, 2017	340,206,734	5,233,758	345,440,492
Total losses recorded	(13,213,268)	(1,323,558)	(14,536,826)
Purchases	10,094,011	-	10,094,011
Disposals	(15,751)	-	(15,751)
At September 30, 2018	337,071,726	3,910,200	340,981,926

There were no Level 3 available-for-sale financial assets held during the years ended September 30, 2018 and September 30, 2017.

There were no Level 3 financial liabilities held during the years ended September 30, 2018 and September 30, 2017.

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

20. SUBSEQUENT EVENTS

Final Dividend

Effective December 12, 2018, the Board of Directors resolved to pay a final dividend for the year ended September 30, 2018 in the amount of \$0.29 per share to shareholders of record at January 18, 2019, payable on February 22, 2019.

Sale of Investment in Merrion

On November 1, 2018 Somers sold its investment in Merrion. The sale consideration includes a deferred component that will be paid in 2019 based on Merrion's balance sheet at that time. The final sales proceeds are expected to approximate the carrying value of Somers' investment in Merrion as at September 30, 2018 of €3.0 million.

COMPANY INFORMATION

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Charles Jillings
David Morgan
Duncan Saville
Alasdair Younie

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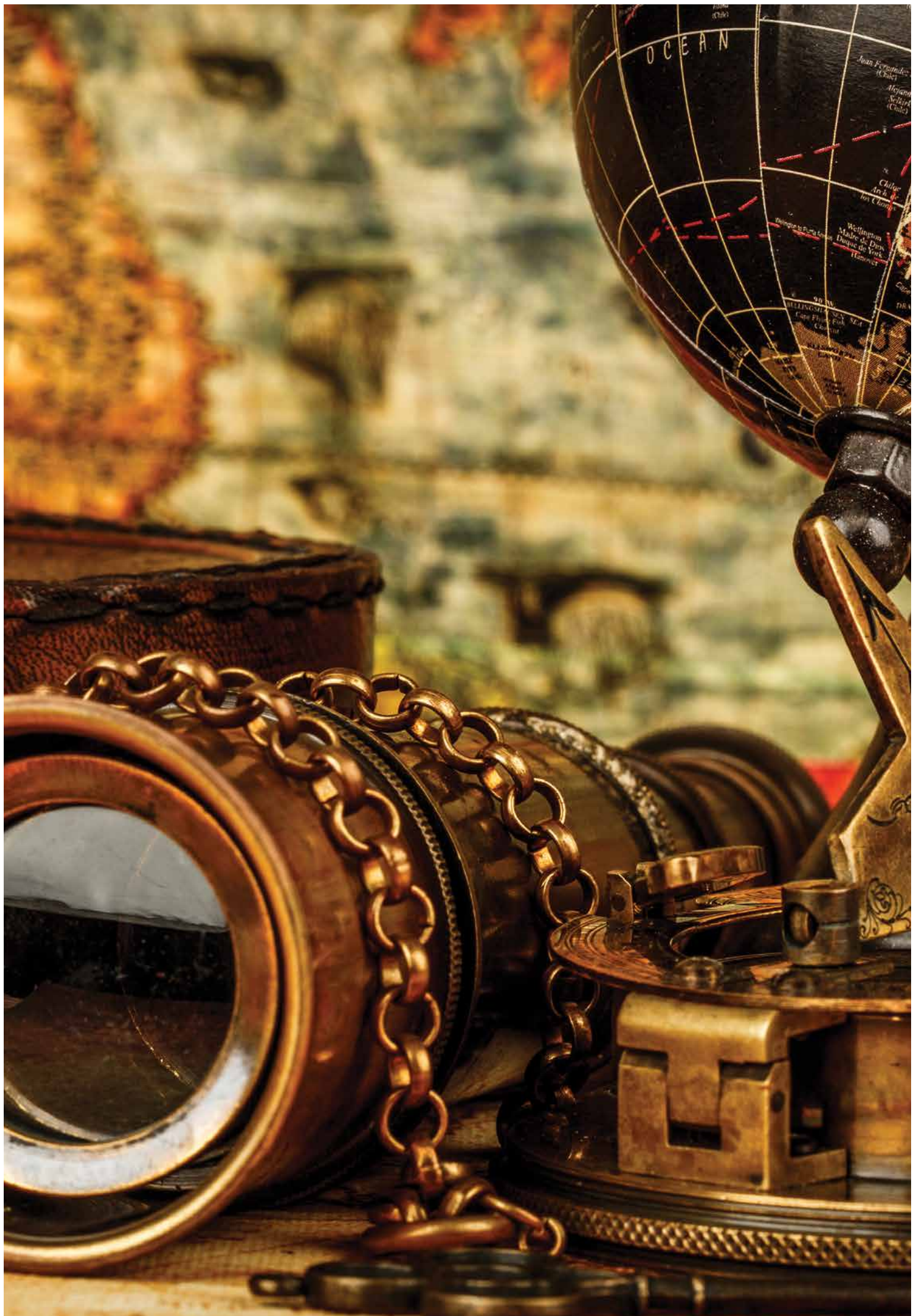
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