SOMERS

2013 ANNUAL REPORT

Sir George Somers, an English naval hero and talented navigator born in 1554, was knighted for his achievements and was an Admiral of the Virginia Company. It was also, because of Sir George Somers, from where Bermuda's settlement history began.

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

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

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FINANCIAL CALENDAR

ANNUAL GENERAL MEETING
FEBRUARY 26, 2014

HALF YEAR MARCH 31, 2014 ANNOUNCEMENT
JUNE 2014

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.

KEY INVESTMENTS AND CORPORATE STRUCTURE

Somers has assets under management of approximately $8 billion and its primary assets are in the banking, wealth management, stockbroking and asset financing sectors.

SOMERS
LIMITED

BCB
BERMUDA COMMERCIAL BANK LIMITED

100.0%

Bermuda Commercial Bank Limited
Banking

Licensed bank in Bermuda with total assets of $591 million

Focus on commercial banking and private banking / wealth management

Private & Commercial Finance

75.0%*

Private & Commercial Finance Group plc
Asset Origination

Asset financing company listed on London Stock Exchange

Portfolio of receivables of $139 million

WAVERTON
INVESTMENT MANAGEMENT

62.5%

Waverton Investment Management Limited
Wealth Management

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

Assets under management of over $7.5 billion

*Economic percentage interest
**Projected percentage holding between 78%-88% following rights issue

ICM Limited

Investment Adviser

Westhouse

78.0%**

Westhouse Holdings plc
Stockbroking

Corporate and institutional stockbroking group located in London

Adviser and broker to 70 UK and international companies

WEST HAMILTON HOLDINGS LIMITED

57.0%

West Hamilton Holdings Limited
Property Management

Property management and development company listed on Bermuda Stock Exchange

Net assets of $45 million

FINANCIAL HIGHLIGHTS

DIRECTORS

Warren McLeland
Mr. McLeland is a Science and MBA graduate and was formerly a stockbroker and investment banker. He is Chief Executive Officer of RESIMAC Limited, a wholesale funder, originator, servicer and securitiser of loans based in Australia. In addition, he acts as an adviser in funds management and business strategy to companies operating in the Asia Pacific region. He is a Non-Executive Director of Utilico Investments Limited.

J.Michael Collier
Mr. J. Michael Collier, a career banker, spent 33 years with the Bank of Butterfield in Bermuda and retired in 1996 as President and Chief Executive Officer. He is currently Chairman of Bermuda Commercial Bank Limited, West Hamilton Holdings Limited and Bermuda First Investment Company Limited. Mr. Collier stood down as Chairman of the Ascendant Group of Companies in May 2012 and retired as a Non-Executive Director in May 2013. He is currently a Non-Executive Director of RESIMAC Limited and Utilico Investments Limited.

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

Alasdair Younie
Mr. Younie is a Director of ICM Limited, a Bermuda based fund management company and is a qualified chartered accountant. Mr. Younie previously worked in corporate finance at Arbuthnot Securities Limited in London and prior to that at PricewaterhouseCoopers in London. He is a Non-Executive Director of the Ascendant Group Limited, Bermuda First Investment Company Limited and West Hamilton Holdings Limited and is a member of the Institute of Chartered Accountants in England and Wales.

INVESTMENT MANAGEMENT TEAM

The Directors are responsible for the Company's investment policy and have overall responsibility for the Company's day-to-day activities. The Company has, however, entered into an Investment Management Agreement with ICM Limited ("ICM") under which ICM provides investment management services to the Company. ICM is primarily responsible for the Company's investments.

ICM is a Bermuda based fund manager and corporate finance adviser. ICM is the Investment Manager to the Company and is also the Investment Manager to Utilico Investments Limited and Utilico Emerging Markets Limited, both listed on the London Stock Exchange and investment adviser to Bermuda Commercial Bank Limited.

Duncan Saville
Mr. Saville is a chartered accountant with over 30 years of experience in the securities industry and is a Director of ICM. He is an experienced Non-Executive Director and was formerly a Non-Executive Director of Utilico Investment Trust plc and a number of companies in both the water and airport sectors. He is a Non-Executive Director of Infratil Limited and West Hamilton Holdings Limited.

Alasdair Younie
Mr. Younie is a Director of ICM Limited and is a qualified chartered accountant having previously worked in corporate finance at Arbuthnot Securities Limited in London and prior to that at PricewaterhouseCoopers in London. He is a Non-Executive Director of the Ascendant Group Limited, Bermuda First Investment Company Limited and West Hamilton Holdings Limited and is a member of the Institute of Chartered Accountants in England and Wales.

Charles Jillings
Mr. Jillings is an employee of Utilico Investments Limited and Utilico Emerging Markets Limited. He is responsible for assisting in the running of the two companies and the investment portfolios in conjunction with ICM Limited. Mr. Jillings is qualified as a chartered accountant and previously worked in corporate finance at Hill Samuel Bank for 10 years. He has been a Director of a number of listed companies and is a Director of Waverton Investment Management Limited, KeyTech Limited and Vix Limited.

Sandra Pope
Ms. Pope is a qualified chartered accountant and holds the Securities & Investment Institute Certificate of Corporate Finance. She worked in corporate finance at Deloitte Haskins & Sells, Hill Samuel Bank and Close Brothers for 10 years and has worked for the ICM group since 1999. She is a Director of ICM IR, ICM's 100% subsidiary. She is also a Director of several private companies and Westhouse Holdings plc.

SENIOR MANAGEMENT TEAM

Somers' senior management team comprises the senior management of Somers' operating businesses.

Peter Horton, CEO
Bermuda Commercial Bank
Mr. Horton joined BCB in October 2013 having previously been CEO of the Bank of Maldives. He has previously held senior posts at Barclays Bank in Kenya, LEMA Group in South Africa, First Caribbean International Bank in the Bahamas and Turks and Caicos.

Greg Reid, CFO
Bermuda Commercial Bank
Mr. Reid has been the CFO of BCB since 2008. Prior to joining BCB he was the Controller with BISYS Hedge Fund Services, a Bermuda based provider of accounting services to the hedge fund industry.

Hugh Grootenhuis, CEO
Waverton Investment Management
Mr. Grootenhuis joined Waverton in 1999 as a Director of New Business. He previously worked for the Schroder Banking Group for eighteen years where he obtained a wide range of investment banking experience. In June 2009 Hugh was appointed CEO.

Algernon Percy, Managing Director
Waverton Investment Management
Mr. Percy worked in the Private Client department of Mercury Asset Management (later Merrill Lynch Investment Managers) for nine years, before joining Waverton in 2003. He became Head of Private Clients, and then in 2013 was appointed Managing Director of Waverton.

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

Christopher Getley, CEO
Westhouse Securities
Mr. Getley became CEO upon the acquisition of Smith's Corporate Advisory in late 2010. At Morgan Grenfell he built an emerging market business and at Cazenove he was the Director of Asian and Emerging Market investments.

Andrew Proctor, CFO
Westhouse Securities
Mr. Proctor joined Westhouse in July 2013. Prior to that he was CFO at N+1 Singer and served in a similar role at an international CFD house and with banking and capital markets businesses in Singapore and South Africa.

Scott Maybury, CEO
Private & Commercial Finance Group plc
Mr. Maybury was one of the founding Directors of Private & Commercial Finance Group plc. After qualifying as an accountant, he spent six years with BHP-Billiton, and five years with McDonnell Douglas Bank.

Robert Murray, Managing Director
Private & Commercial Finance Group plc
Mr. Murray was one of the founding Directors of Private & Commercial Finance Group plc. He has thirty five years of banking and finance experience and has been involved in lending to personal, corporate and international customers.

Zane Kerse, FD
Private & Commercial Finance Group plc
Mr. Kerse is a Chartered Accountant and joined Private & Commercial Finance Group plc in 2001 having previously worked in the retail motor and financial software industries.

Harrichand Sukdeo, CFO
West Hamilton Holdings Limited
Harrichand Sukdeo, a certified accountant and chartered financial analyst, joined West Hamilton in 2006. He has over thirty years of experience in banking, education, insurance, and investments.

CHAIRMAN'S STATEMENT

It is with much pleasure that I write to you as Chairman of Somers Limited ("Somers", the "Company" or the "Group") and to present the results for the year ended September 30, 2013, the Company's first annual results as a listed company.

Somers, which changed its name from Bermuda National Limited on November 28, 2013, was incorporated in 2012 with the objective to make corporate investments and acquisitions in the financial services sector. Following the global financial crisis in 2008, financial institutions continue to reduce the size of their balance sheets thereby presenting a number of opportunities to make investments and acquisitions at attractive valuations. The Company's acquisition of Waverton Investment Management ("Waverton"), formerly J O Hambro Investment Management Limited, described in more detail below, is an example of the exciting opportunities that are presented to the Company.

Strategy

Somers seeks to invest in undervalued companies within the financial services sector and has the flexibility to make investments in a range of financial related sectors and markets. The Company will identify and invest in opportunities where the underlying value is not reflected in the market or purchase price. The perceived undervaluation may arise from a variance of factors including the limited number of potential buyers, the paucity of bank lending to smaller financial service companies and an abundant supply of financial service companies for sale as banks continue to deleverage in response to the global credit crisis.

Somers will generally aim to achieve a control position but is equally comfortable with a portfolio position if the purchase price is sufficiently attractive. The Company aims to maximise value for shareholders by holding a concentrated portfolio of investments. These investments can be both in the unlisted and listed arena. Besides looking for 'bolt-on' opportunities, the Company hopes to extract synergetic benefits from the investee companies on both costs and revenue as companies are encouraged to collaborate with each other and share resources where value is added.

Somers intends to have a mid to long term investment horizon and does not expect to be trading its investments. The Company intends to be supportive of its investee companies and maintain regular dialogue with the management and where appropriate provide additional capital to ensure that the companies can develop and grow.

Financial Results

The consolidated results include twelve months of contribution from Bermuda Commercial Bank Limited ("BCB or the "Bank"), two months from Waverton, eleven months from Private & Commercial Finance Group plc and one month from West Hamilton Holdings Limited. Westhouse Holdings plc is accounted for as an associate and the Company's other investments were valued on a marked to market basis.

The Company recorded net income of $13.8 million for the year. Net income before non-controlling interests was $12.1 million resulting in an annualised return on shareholders' equity of 7.1%. Included within net income was a one time gain of $3.8 million that Somers recorded on its interest in West Hamilton Holdings Limited. Basic and diluted earnings per share were $1.60. Somers has a strong balance sheet with total assets of $812.3 million and total shareholders' equity of $194.7 million as at September 30, 2013. After allowing for non-controlling interests of $34.6 million, shareholders' equity attributable to Somers shareholders is $160.1 million. The diluted net asset value per share was $14.97.

The results were in line with the Board's expectations and were driven primarily by BCB's results, being the Company's major subsidiary during the full year. BCB continues to grow and for the year ended September 30, 2013 reported net income of $8.9 million, an increase of 18.9% over the prior year. Its deposit base increased 2.2% and continues to attract customers whilst diversifying its product offering. The Bank's focus remains on delivering a quality level of service to its high net worth and commercial customers. We were pleased to welcome as CEO of BCB in October 2013, Peter Horton, who comes with significant banking experience and we hope will continue to drive the growth of BCB.

Acquisition

On August 5, 2013, Somers completed the acquisition from Credit Suisse AG of Waverton for a total cash consideration of $80.9 million (£50 million). Somers owns 62.5% of Waverton with the balance owned by Waverton's management and staff. This acquisition represented a significant change for Somers and one which clearly highlights the ability of Somers to complete what was a competitive transaction process. Waverton is a well respected private wealth manager in the UK with over $6.5 billion (£4 billion) assets under management. Although Waverton has only been part of the Group for the past two months of the financial year, the company reported profit before tax of $0.7 million for the two month period.

Shareholder Initiatives

During the year, the Company adopted a number of shareholder friendly initiatives including a share buyback plan and a dividend reinvestment plan. As at the year end, the Company had purchased 45,388 of its own shares. These measures are intended to provide liquidity in the Company's shares and to provide shareholders the opportunity, in the case of the dividend reinvestment plan, to further invest in the Company.

Furthermore, in February 2013, the Company announced the issue of bonus warrants to all shareholders on a one for three basis with an exercise price of $12.00 per share. The warrants were issued to give the Company the ability to raise funds to make acquisitions and investments. It was pleasing to note that as at the year end, 1,914,513 warrants in the Company had been exercised which raised approximately $22.9 million. The Board decided to extend the maturity date of the warrants from September 30 to December 31 to enable those shareholders who had not yet exercised their warrants to do so. As at December 31, a further 622,139 warrants had been excercised generating an additional $7.5 million for the Company.

Opportunities

Somers continues to evaluate potential investment opportunities. We are conscious that future investments need to offer attractive returns. However, the impact of regulation remains a key issue for the financial services sector and an area in which we are cogniscent when making an investment or an acquisition. However, it is important to note that changes in the regulatory environment can have a significant impact on the financial performance of a company and therefore good regulation must strike a balance between protecting stakeholders but enabling growth.

Dividend

The Board resolved to pay a final dividend per share of $0.20. The total dividend payment for the year was $0.32 a share, an increase of $0.02 per share compared to BCB's total dividend payment in 2012. The total payment for this year equates to a dividend yield of 2.7% based on the closing price as at September 30, 2013.

Outlook

While it is difficult to predict market conditions given the extent of quantitative easing in the last 24 months, we look forward to 2014 with optimism and a year which we anticipate will bring further growth from our investee companies. We would expect them to produce stronger results in 2014.

Somers is well positioned to take advantage of the investment opportunities that currently exist, due to its expertise in the financial services sector and its proven ability to identify attractive opportunities. Finally I would like to thank all of the Company's shareholders for their continued support.

Warren J McLeland

Warren McLeland
Chairman

SUMMARY OF INVESTMENTS

BERMUDA COMMERCIAL BANK LIMITED ("BCB" OR THE "BANK")

History

BCB was formed by an Act of Parliament in February 1969 under the name of The Provident People's Bank Limited. In May 1969 the Bank's name was changed to Bermuda Provident Bank Limited, and in 1984 the name of the Bank was changed once again to Bermuda Commercial Bank Limited.

The Bank operated under the management of Barclays Bank plc from its inception until May 10, 1993, when it sold its investment as part of a global rationalisation of its minority holdings.

In the early 1990's, the Bank made a strategic decision to focus on providing services tailored to the international business and private client markets.

In April 2010, the majority shareholding in the Bank was purchased by an investor group through Permanent Investments Limited ("PIL"). PIL then distributed its shares in BCB directly to its investors.

In October 2012, BCB became a wholly owned subsidiary of Somers and BCB's shareholders became shareholders in Somers on a one for one basis. BCB's website address is www.bcb.bm.

Financial Results

The Bank's earnings increased in 2013 due to a strong performance from its investment portfolio which benefitted from the increase in the value of capital markets over the last 12 months. This has been driven by the unprecedented injection of money into the financial system, known as Quantitative Easing. The Bank recorded a net profit of $8.9 million for the year (2012: $7.5 million) an increase of 18.7% and this continues the trend of increasing profit since the Bank changed majority ownership in April 2010.

Total interest income was $19.7 million, an increase of 4.3% from 2012 and net non-interest income was $15.4 million (2012: $7.2 million). The Bank realised gains of $14.7 million following the sale and maturity of financial investments during the year. Total expenses increased as the Bank strengthened its employee base.

The Bank's asset base continues to grow, and as at September 30, 2013, it had total assets of $591.7 million an increase of 3.4% on 2012. The Bank continues to be well capitalised with a low risk, liquid and transparent balance sheet with the majority of assets in either cash, near cash or in a diversified, predominantly investment grade portfolio. The Bank maintained a small loan portfolio and this is not expected to grow significantly in the next financial year. Total deposits as at September 30, 2013 were $467.5 million, an increase of 2.2% from 2012. The Bank's capital position remains strong at $109.5 million and its regulatory capital was 20.7% compared to 23.3% in 2012.

In December 2013, Fitch Ratings reaffirmed BCB's investment grade rating and revised the Bank's outlook to Stable, as a result of the Bank's strong liquidity, capital position and improving financial results.

Strategy

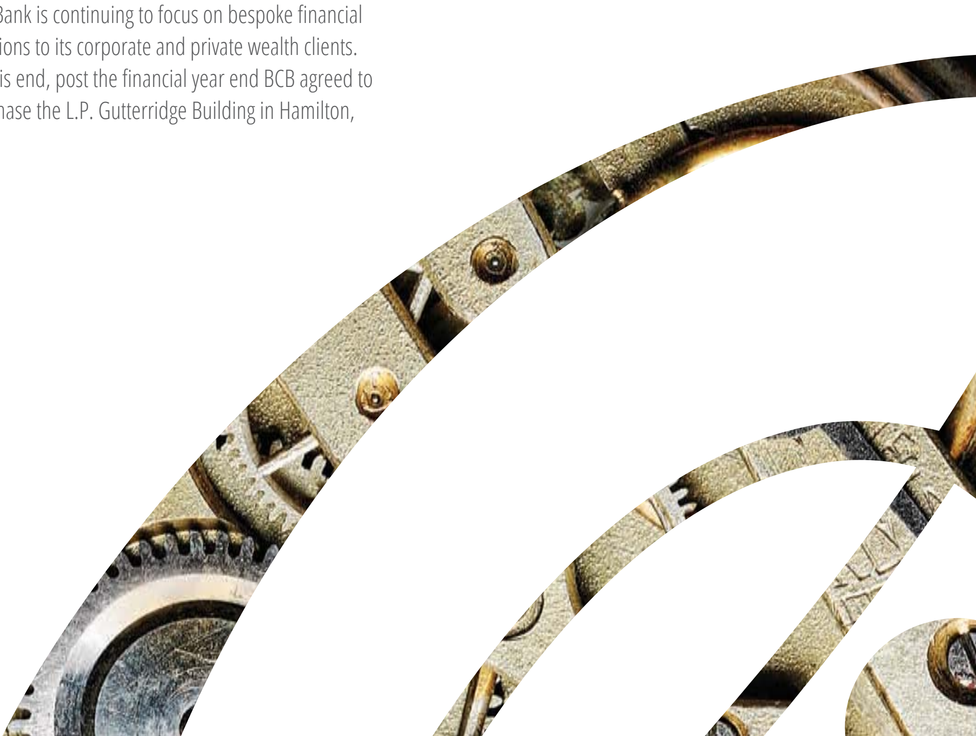
The Bank is continuing to focus on bespoke financial solutions to its corporate and private wealth clients. To this end, post the financial year end BCB agreed to purchase the L.P. Gutterridge Building in Hamilton, Bermuda. This will give the Bank a base for the medium to long term and enable it to rationalise all of its operations in one building.

The Bank appointed Peter Horton as Chief Executive Officer, who commenced his role in October 2013. Mr. Horton has significant banking experience and we look forward to his leadership and revised strategy in moving the Bank forward in what will be an important year for the Bank with further investment in management and new systems.

Outlook

There exists an exciting opportunity for the Bank in the private wealth space both in Bermuda and internationally. It is an area which has not been adequately addressed by the other local banks and BCB is well placed to benefit once it implements improved systems and processes combined with a strengthened management team.

However, we are cognisant that the Bermudian economy remains challenging. This will be the fourth consecutive year of negative GDP growth, and off-shore jurisdictions are under increased scrutiny from the large western economies who are looking for increased tax revenue. The Bank is financially strong and its capital position is significantly in excess of industry standards. We believe that 2014 will be another year of progress for the Bank.



WAVERTON INVESTMENT MANAGEMENT LIMITED ("WAVERTON")

Somers, along with Waverton's management and staff, acquired Waverton from Credit Suisse AG on August 5, 2013 for a total cash consideration of $80.9 million (£50 million). Somers now owns 62.5% of Waverton with management and staff owning the balance.

History & Background

Waverton was founded in 1996 as J O Hambro Investment Management and has grown organically and today has 107 employees including 26 portfolio managers with direct client relationship responsibilities.

For the first fourteen years the company was owned by the Hambro Family and the management of Waverton. In 2000, the company was acquired by the Credit Suisse Group, although it remained a separate managed entity within Credit Suisse Private Banking. The company is located in St James's Square in the West End of London. Its website address is www.waverton.co.uk.

In January 2014, the company's name was changed to Waverton Investment Management from J O Hambro Investment Management.

Waverton is a London-based specialist investment manager which focuses on discretionary portfolio management for private clients, charities and institutions as well as offering a suite of in-house managed investment funds. Waverton is a well known UK private wealth asset manager and has historically produced strong investment portfolio performance for its clients. As at September 30, 2013 Waverton had Assets under Management ("AUM") of approximately $7 billion and total AUM and Assets under Control of approximately $7.5 billion.

In addition to the private client services that Waverton provides, Waverton is also the investment manager to 7 Dublin domiciled specialist funds. These funds operate under the brand of the Waverton Funds, www.wavertonfunds.co.uk. Each fund has a specific investment mandate focusing on a specific geographic area such as Asia Pacific, Global Equity or Europe or a specific asset class e.g. Global Bond.

Financial Results

With the acquisition completing in early August, Somers' consolidated results only include Waverton's results for August and September. In those two months Waverton reported income of $6.5 million and profit before tax of $0.7 million. However, for the nine months ended September 30, 2013, Waverton earned unaudited income of $33.0 million and unaudited profit before tax of $8.7 million.

AUM have grown by approximately 10% in the nine months ended September 30, 2013. This has principally been driven by the increase in global capital markets which have had a positive impact on existing AUM. The challenge for Waverton moving forward is to increase its AUM through new client additions.

Rationale for the Waverton acquisition

The acquisition of Waverton was a significant step for Somers. Not only being its first major acquisition since the restructuring in October 2012, but because Somers acquired a well known UK private wealth asset manager with a strong track record. In addition, it proved that Somers is able to transact on an acquisition which included UK regulatory approval. The acquisition is an ideal fit for Somers as Waverton operates in the attractive wealth management industry and is complementary to Somers' existing investments. In particular, Waverton should provide a number of synergistic opportunities for Somers' other investments, for example, the provision of investment management services and products to BCB's clients.

We are delighted that the management and staff of Waverton invested alongside Somers and even in the early stages, the signs are positive that the relationship will be long lasting and profitable. We believe that the benefits at the Somers level will be significant through combined efforts and goals and we are pleased to see the level of communication and information being shared between Waverton and our other investee companies.

Outlook

With quantitative easing likely to remain in some form for the foreseeable future and in an environment where low interest rates are likely to continue well into 2015, we anticipate 2014 being another strong year for Waverton. It is important to note that any negative market movements caused by events such as a renewed European crisis may adversely impact Waverton's earnings in 2014. However, with Waverton looking to grow certain areas of its business such as the charities division and institutional sales, it is expected that 2014 will be positive.

WESTHOUSE HOLDINGS PLC ("WESTHOUSE")

Somers is interested in 46.1% of Westhouse's issued share capital.

History & Background

Westhouse is located in London and is a corporate and institutional stockbroking group with a focus on a number of market sectors with particular expertise in mining, oil & gas, insurance, support services, growth companies, media and investment funds. Westhouse's target market is the small and mid market capitalised companies listed in London. Westhouse generates its revenue through equity research, sales, trading and corporate finance and broking revenues.

Westhouse Securities LLP was formed in 2004 with the demerger of Brown Shipley's corporate finance and broking business into a new company part owned by Kredietbank SA Luxembourgeoise ("KBL") and part by management. In July 2006, KBL sold their interest in Westhouse to management and the Hanson family. The business was renamed Hanson Westhouse and undertook a reverse takeover of AIM quoted SovGEM Limited in June 2009. The company was subsequently renamed Westhouse Holdings plc and in December 2010 it acquired Smith's Corporate Advisory, an independent corporate broking and investor relations business. In January 2012, Westhouse acquired Arbuthnot Securities and the businesses were integrated under Westhouse. Its website address is www.westhousesecurities.com.

Somers acquired its 46.1% holding in Westhouse from BCB in September 2012. For this period under review, Somers has accounted for Westhouse as an associate.

Financial Results

As outlined in different parts of this report, the last 18 to 24 months have seen extraordinary inflows of money from the global central banks. This has lead to significant appreciation for most of the world's capital markets. Whilst the general market has improved, this has not been the case in Westhouse's target market. The IPO and secondary fundraisings market for small and medium capitalised companies remains sluggish and secondary fundraisings have only recently started to pick up.

It is against this backdrop that Westhouse remains loss making. Somers' share of Westhouse's losses for the year ended September 30, 2013 is $2.5 million. In addition, Somers has advanced a total of $2.9 million by way of interest bearing loans.

Restructuring

There are indications that Westhouse's target market is beginning to improve and that the actions taken by Westhouse to reduce costs over the last twelve months are starting to positively impact its financial performance. In September 2013, Westhouse completed two fundraisings for existing clients.

Westhouse has strengthened its management team and we anticipate that 2014 will be an improved year for Westhouse.

As a result, Somers agreed post the year end, to invest as part of a placing and open offer to invest up to $3.0 million in Westhouse. Westhouse is in total proposing to raise, in aggregate, up to $3.45 million. Westhouse's management have also agreed to invest $0.3 million as part of this process. In addition, Somers has also agreed to consolidate all its loans under one loan with an interest rate of 5% rising to 8%. The loan will be repaid on a quarterly basis with the final payment due in 2018.

Following the fundraising, and dependent on the investment by Westhouse's other shareholders, Somers will be interested in between 78% and 88% of Westhouse's issued share capital. This transaction has received regulatory approval and it is expected to complete in late January 2014. The fundraising will give Westhouse the necessary capital to move ahead with its business plan and generate sustainable profit.

Once the rights issue has been completed, Somers will have the right to appoint the majority of the Westhouse Board of Directors.

Outlook

We believe that the measures taken by Westhouse can lead to the business becoming profitable in 2014. The management team has been strengthened and with significant investment being made by management, as part of the fundraising, they have an incentive to drive the business forward. The corporate finance pipeline is stronger and the ability to complete these transactions will determine the profitability in 2014. The fundraising will enable Westhouse to commit more capital to its market making book which in turn should improve profitability.

The recent improvement in Westhouse's trading performance provides Somers with the confidence to commit more funds to the company. We are aware that the performance of financial markets will have a significant bearing on the profitability of Westhouse but believe that the blocks are in place to drive the company's financial performance in 2014.

PRIVATE & COMMERCIAL FINANCIAL GROUP PLC ("PCFG")

Somers' economic interest in PCFG is approximately 75%, comprising 29.4% of PCFG's issued share capital and $13.8 million convertible loan notes issued by PCFG which are due to mature in 2016. As a result, the Company's results include PCFG's consolidated results between November 1, 2012 and September 30, 2013. Somers' holding in PCFG was valued at $1.9 million as at September 30, 2013.

History & Background

PCFG was established in October 1993, and the company's shares were admitted to trading on the Alternative Investment in market of the London Stock Exchange in September 1998. Over the last 20 years PCFG has assisted over 60,000 customers with financing for the purchase of vehicles and other assets.

PCFG has two operating divisions:

- Consumer Finance Division, which provides finance for motor vehicles (motor cars, classic cars and horseboxes) to consumers; and
- Business Finance Division, which provides finance for vehicles, plant and equipment to small and medium sized enterprises.

PCFG looks to finance vehicles and assets which have strong collateral characteristics and readily identifiable second-hand markets. Its preference is therefore to finance assets such as motor cars, light and heavy commercial vehicles, coaches, buses and manufacturing and construction equipment. PCFG also likes to have a large number of clients to spread the risk and as at September 30, 2013 it had over 12,000 clients. Its website is www.pcfg.co.uk.

Historically, PCFG had relied on facilities from the UK's high street banks to fund the loans that it made to its customers. However, following the financial crisis in 2008/09 it became more difficult for companies such as PCFG to fund their activities through traditional high street bank wholesale funding.

With the support of the Somers group, PCFG were able to issue two tranches of convertible loan notes, in November 2012 and September 2013, respectively. This gave PCFG a firmer financial footing and enabled them to negotiate a new three year facility with Barclays Bank which in turn has lead to an improved financial performance.

Financial Results

PCFG reported strong interim financial results for the six months ended September 30, 2013 with income of $34.2 million (2012: $33.7 million) and profit before tax of $0.8 million (2012: $0.5 million). Its diluted net asset value per share increased to 11.7p (market value per share as at September 30, 2013 was 8p). Earnings per share increased to 0.4p.

As at September 30, 2013, the portfolio of receivables was valued at $139.2 million. PCFG has debt facilities of $155 million, with committed headroom of $24.2 million. The company's leverage ratio, excluding the unsecured convertible loan notes was 7.2x (2012: 8.0x).

Outlook

PCFG is a potentially important investment for the Somers group as it provides access to the UK financing market that is seeing less competition through companies exiting the market. This is providing growth opportunities for an independent finance house such as PCFG. The certainty over funding has enabled PCFG to increase its volumes, grow the portfolio and target a medium-term objective of a 2% return on average assets. If PCFG's momentum continues we would hope the company will look to reinstate the payment of a dividend.

We are optimistic that PCFG will continue to grow its consumer division and as the UK economy returns to growth we expect that PCFG's business division will grow at a faster rate than it has in the last 12 months. The key issue for PCFG moving forward is to ensure that they have access to diversified long term funding. It is unlikely that the UK's high street banks will in the future return to the level of financing previously provided and therefore PCFG will be required to source alternative funding lines such as seeking a deposit taking license.

WEST HAMILTON HOLDINGS LIMITED ("WHH")

West Hamilton Holdings Limited ("WHH")

WHH is a Bermuda Stock Exchange ("BSX") listed property investment company with significant property assets in Bermuda in which the Group has an interest of 57.0%. As such, Somers has consolidated the results of WHH for the year ended September 30, 2013.

Somers recorded a one-off gain of $3.8 million on its investment in WHH. As part of the consolidation process, Somers performed a fair value assessment of its investment resulting in a premium over the cost of investment. The premium related primarily to the valuation of WHH's land and property. This gain does not, however, reflect any element of underlying operational performance. Somers' 57.0% consolidated investment in WHH is valued at $25.6 million.

History & Background

WHH was formerly known as The Bermuda Bakery Limited and was for many decades in the business of baking bread and related products. In 2004, it changed its name to West Hamilton Limited and became a property management and development company. WHH owns two commercial properties, covering over 2 acres, known as the Belvedere Building and the Belvedere Place 309 space car parking facility on Pitts Bay Road in the west of Hamilton, Bermuda. WHH's original intention was to develop the property and work began at the Belvedere Site in January 2007 but ceased in December 2010 with the completion of the underground parking facility and all other infrastructure work below grade. The company halted construction in December 2010 because of the large surplus of vacant office space in the Bermuda market and a decline in demand due to the reductions in the number of potential tenants.

With international business in Bermuda favouring the west of Hamilton, WHH has begun the process of evaluating the development of part of its property into a number of residential apartments. If the development goes ahead then this should generate significant value to WHH's shareholders.

Financial Results

For the nine months ended September 30, 2013, WHH reported net profit of $2.3 million (year ended December 31, 2012: $0.7 million) on income of $1.5 million (year ended December 31, 2012: $1.9 million). The increased profit was driven primarily by the disposal of WHH's holding in BF&M Limited, a BSX listed insurance company, generating a one-time realised profit of $1.9 million. WHH had net assets of $44.9 million as at September 30, 2013.

Outlook

Bermuda continues to have an oversupply of commercial real estate space and an economy which has a number of challenges. However, there are areas in Hamilton which are popular amongst the international business sector and WHH's assets are in the middle of one such area. With the car parking facility fully let, WHH's key challenge in 2014 is to find commercial tenants for the 10,000 sq. ft. of vacant space in the Belvedere Building. Longer term, the successful development of the site including the proposed residential development, should produce attractive returns to Somers as a WHH shareholder.

WHH is relatively ungeared and we believe is well placed to benefit from any upturn in the Bermuda economy.

OTHER INVESTMENTS

In addition to the Company's core investments, Somers has additional investments detailed below:

Ascot Lloyd Holdings Limited ("Ascot Lloyd")

Somers is interested in a $3.2 million convertible loan note in Ascot Lloyd. As at September 30, 2013, $2.8 million of the convertible loan note was drawn down. The convertible loan note carries an annual coupon of 6% and matures in July 2016. If the entire $3.2 million is converted, Somers would be interested in 22.5% of Ascot Lloyd.

Ascot Lloyd is an independent financial adviser ("IFA") based in the UK. The IFA market in the UK is in the middle of significant regulatory change. The industry has historically been very fragmented but the increased regulatory requirement is creating consolidation opportunities for Ascot Lloyd. Ascot Lloyd has made two significant acquisitions in the last 12 months and is evaluating a number of other opportunities. For the year ended December 31, 2013, Ascot Lloyd reported unaudited operating profit before tax of $0.5 million. Following the consolidation of recent acquisitions and an improved trading environment we expect Ascot Lloyd to report an improved profit for the year ending December 31, 2014.

Sing Investments & Finance Ltd ("Sing")

Sing is a finance company listed on the Singapore Stock Exchange. Somers is interested in approximately 4.9% of Sing's issued share capital which as at September 30, 2013 was valued at $8.5 million. Sing takes both fixed and saving deposits and makes available loans and credit facilities to individuals and corporations. The types of loans include residential and commercial property loans, motor vehicle loans and invoice factoring. For the nine months ended September 30, 2013, Sing reported unaudited profit of S$7.9 million (2012: S$9.8 million) on net interest income of S$22.3 million (2012: S$22.4 million). Sing reported total assets of S$2.0 billion (2012: S$2.0 billion). The net asset value per share before valuing property assets at market value was S$1.92 (market price of S$1.345).

Sing's performance in 2013 has been impacted by compression of the interest margin, due to the current environment of low interest rates and increased competition from domestic banks. Even though the Q3 GDP estimate for Singapore contracted by 1.0% on a quarter on quarter seasonally adjusted annualised basis, the Singapore economy is expected to continue to grow in the coming years. Somers' investment in Sing gives the Company exposure to a country which is attracting significant inward investment and capital from countries such as China. We believe that even though Sing's short term performance is likely to be impacted by the Singapore Government's measures to cool the property market and restrictions on car financing, the investment in Sing will produce reasonable returns to Somers driven principally by the macroeconomic growth in Singapore.

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Report of Independent Auditors

The Shareholders and Board of Directors
Somers Limited

We have audited the accompanying consolidated financial statements of Somers Limited and its subsidiaries (the Company), which comprise the consolidated statement of financial position as at September 30, 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the period from September 18, 2012 (commencement of operations) to September 30, 2013, and a summary of significant accounting policies, and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2013, and of its financial performance and its cash flows for the period from September 18, 2012 (commencement of operations) to September 30, 2013, in accordance with International Financial Reporting Standards.

Ernst + Young Ltd.

January 24, 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2013
(expressed in United States Dollars)

Assets		**2013**
Cash, money market funds and term deposits (Note 3):		
Due on demand	$	39,751,507
Term deposits		170,732,933
Total cash, money market funds and term deposits		210,484,440
Other assets (Note 10)		29,346,758
Loans receivable from associates (Note 7)		5,857,536
Interest receivable		4,073,844
Loans and advances to customers (Note 6)		198,553,123
Financial investments (Note 5)		250,382,156
Derivative financial instruments (Note 4)		4,173,271
Deferred tax assets (Note 21)		3,978,126
Property and equipment (Note 8)		53,139,335
Goodwill and other intangible assets (Note 9)		46,932,346
Investments in associates (Note 7)		5,403,345
Total assets	$	812,324,280
Liabilities		
Deposits (Note 11):		
Demand deposits	$	253,872,954
Term deposits		207,317,375
Total deposits		461,190,329
Other liabilities (Note 12)		16,597,004
Interest payable		3,821,665
Customer drafts payable		2,527,491
Derivative financial instruments (Note 4)		6,631,518
Interest bearing loans and borrowings (Note 13)		126,832,889
Total liabilities	$	617,600,896
Equity		
Capital stock (Note 14)	$	1,070
Share premium (Note 14)		148,472,640
Treasury stock (Note 14)		(549,900)
Other comprehensive income		2,731,037
Retained earnings		9,441,728
Equity attributable to: equity holders of the parent		160,096,575
Non-controlling interests		34,626,809
Total equity		194,723,384
Total liabilities and equity	$	812,324,280

See accompanying notes.

Signed on behalf of the Board:

Warren J. McLeland

Warren McLeland
Chairman

J. Michael Collier
Deputy Chairman

CONSOLIDATED STATEMENT OF INCOME

Period from September 18, 2012 (commencement of operations) to September 30, 2013
(expressed in United States Dollars)

Income		**2013**
Interest income:		
Cash and term deposits	$	271,151
Money market funds		59,042
Loans and advances to customers		18,631,898
Financial investments		18,032,767
Total interest income		36,994,858
Interest expense		(9,604,157)
Net interest income		27,390,701
Fees and commissions (Note 17)		11,939,860
Net exchange gains		1,310,909
Dividend income		1,314,806
Gain from sale of financial investments		16,811,366
Other operating income		3,998,546
Losses on derivative financial instruments		(3,052,430)
Share of losses of an associate		(2,377,196)
Total income		57,336,562
Expenses		
Salaries and employee benefits (Note 20)		16,891,460
Depreciation (Note 8)		467,558
Amortisation (Note 9)		732,867
Impairment losses on receivables (Note 10)		2,972,592
General and administrative expenses (Note 18)		21,516,474
Total expenses		42,580,951
Income before tax		14,755,611
Income tax expense (Note 21)		(912,052)
Net income	$	13,843,559
Attributable to:		
Equity holders of the parent	$	12,090,027
Non-controlling interests		1,753,532
	$	13,843,559
Earnings per share (Note 15):		
Basic	$	1.60
Diluted	$	1.60

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period from September 18, 2012 (commencement of operations) to September 30, 2013
(expressed in United States Dollars)

Income		2013
Net income for the period	$	13,843,559
Other comprehensive income (loss):		
Exchange differences on translation of foreign operations		858,080
Net gain on sale of financial investments		16,706,546
Reclassification of gains realised in income		(15,945,247)
Share of other comprehensive income of an associate		73,302
Other reserves		366,811
Other comprehensive income		2,059,492
Total comprehensive income	$	15,903,051
Attributable to:		
Equity holders of the parent	$	14,466,569
Non-controlling interests		1,436,482
Total	$	15,903,051

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period from September 18, 2012 (commencement of operations) to September 30, 2013
(expressed in United States Dollars)

	Capital Stock	Contributed Surplus	Treasury Stock	Other Reserves	Retained Earnings	Total	Non-Controlling Interests	Total Equity
Balance at beginning of period	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Amalgamation with BCB	700	104,755,367	–	–	–	104,756,067	–	104,756,067
Net income for the period	–	–	–	–	12,090,027	12,090,027	1,753,532	13,843,559
Other comprehensive income	–	–	–	2,376,542	–	2,376,542	(317,050)	2,059,492
Issue of share capital	127	17,755,284	–	–	–	17,755,411	–	17,755,411
Exercise of options	50	2,848,550	–	–	–	2,848,600	–	2,848,600
Exercise of warrants	193	23,113,439	–	–	–	23,113,632	–	23,113,632
Dissolution of subsidiary	–	–	–	–	142,240	142,240	–	142,240
Net purchase of treasury stock	–	–	(549,900)	–	–	(549,900)	–	(549,900)
Dividends (Note 16)	–	–	–	–	(2,790,539)	(2,790,539)	–	(2,790,539)
Acquisition of subsidiaries	–	–	–	–	–	–	33,190,327	33,190,327
Other reserves	–	–	–	354,495	–	354,495	–	354,495
Balance at end of period	$ 1,070	$ 148,472,640	$ (549,900)	$ 2,731,037	$ 9,441,728	$ 160,096,575	$ 34,626,809	$ 194,723,384

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

Period from September 18, 2012 (commencement of operations) to September 30, 2013
(expressed in United States Dollars)

Operating activities		**2013**
Net income before taxes	$	14,755,611
Adjustments to reconcile net income before taxes to cash used in operating activities:		
Depreciation		467,558
Amortisation		732,867
Write-down of other intangible assets		2,936,565
Share of losses of an associate		2,377,196
Dissolution of a subsidiary		142,240
Share of other comprehensive loss of an associate		481,929
Gain from sale of financial investments		(16,811,366)
Loss on effective hedging derivatives		339,243
Impairment losses on receivable for investments pending settlement		2,972,592
Income taxes received		1,280,729
Decrease in receivable from a related party		7,948,554
Decrease in interest receivable		396,808
Increase in other assets		(7,966,911)
Decrease in derivative financial instruments		2,833,284
Decrease in deferred tax assets		799,963
Increase in customer drafts payable		1,581,534
Decrease in other liabilities		(19,273,317)
Increase in interest payable		1,369,418
Net cash used in operating activities		(2,635,503)
Investing activities		
Increase in loans and advances to customers		(44,651,471)
Decrease in loans receivable from associates		(5,857,536)
Proceeds from sale of financial investments		223,150,156
Purchases of financial investments		(198,471,367)
Purchases of subsidiaries		(130,460,234)
Purchases of property and equipment		(673,644)
Purchases of goodwill and other intangible assets		(631,025)
Purchases of an associate		(7,950,589)
Net cash used in investing activities	$	(165,545,710)
Financing activities		
Increase in deposits	$	5,654,972
Decrease in interest bearing loans and borrowings		(37,119,546)
Proceeds from issue of shares		148,561,233
Purchase of treasury stock		(551,747)
Dividends paid		(2,790,539)
Net cash provided by financing activities		113,754,373
Net decrease in cash and cash equivalents		(54,426,840)
Cash and cash equivalents acquired at acquisition		264,911,280
Cash and cash equivalents, end of period	$	210,484,440
Operational cash flows from interest and dividends		
Interest paid	$	(8,196,199)
Interest received	$	37,127,096
Dividends received	$	1,314,806
Dividends paid	$	2,790,539

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013
(expressed in United States Dollars)

1. Description of Business

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

Somers and its subsidiaries ("the Company") have primary business operations consisting of banking, asset management, consumer, and business finance, and commercial property. Somers registered office is at Bermuda Commercial Bank Building, 19 Par-la-Ville Road, Hamilton HM 11, Bermuda.

The primary business holdings of the Company are:

- Bermuda Commercial Bank Limited ("BCB") - a Bermuda company, licensed and regulated by the Bermuda Monetary Authority ("BMA"). BCB provides banking, custody, asset management, corporate and trustee services.

- JOHIM CS Limited - the holding company for Waverton Investment Management Limited ("Waverton") (formerly J O Hambro Investment Management Limited), a UK wealth manager.

- Private & Commercial Finance Group plc ("PCFG") - a UK asset financing company whose shares are listed on the London Stock Exchange. PCFG provides auto and other asset financing to clients across the UK.

- West Hamilton Holdings Limited ("WHH") - a Bermuda commercial property company.

The results of BCB, Waverton, PCFG and WHH are consolidated in these financial statements.

As at September 30, 2013, the significant shareholders (the "Investor Group") in the Company, who held, in aggregate 87.61% of Somers' issued share capital are as follow:

- Utilico Investments Limited ("Utilico") (49.27%) – a Bermuda exempted limited liability company listed on the London Stock Exchange;

- Permanent Investments Limited ("PIL") (30.79%) – a Bermuda exempted limited liability investment holding company; and

- ICM Limited ("ICM") (7.55%) – a Bermuda based fund manager and corporate finance adviser. ICM is the investment manager to Utilico and the investment adviser to Somers and BCB.

The consolidated financial statements for the period from September 18, 2012 (commencement of operations) to September 30, 2013, were authorised for issue in accordance with a resolution of the Directors on January 24, 2014.

2. Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial investments and derivative 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").

Presentation of Consolidated Financial Statements

The Company presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the consolidated statement of financial position date (current), and more than 12 months after the consolidated statement of financial position date (non-current), is presented in Note 23.

Basis of Consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of the Company, and all its subsidiaries as at September 30.

All intercompany balances and transactions are eliminated in full on consolidation. The financial statements of the Company's subsidiaries are presented for the same reporting year as the Company, or from the date of acquisition, being the date in which the Company obtains control, if less than the reporting year, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity as to obtain benefits from its activities.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by Somers.

Non-controlling interests are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, but separate from parent shareholders' equity. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in a deficit balance. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

Investment in Associates

The Company's investment in its associate is accounted for using the equity method. An associate is an entity in which the Company has significant influence.

Under the equity method, the investment in the associates are carried on the consolidated statement of financial position, at cost plus post acquisition changes in the Company's share of the net assets of the associate. Any excess of the Company's share of the net fair value of the associate's identifiable assets and liabilities, over the cost of the investment is included as income in the determination of the Company's share of the associate's profit or loss, in the period in which the investment is acquired.

The consolidated statement of income reflects the Company's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The Company's share of profit of an associate is shown on the face of the consolidated statement of income. The financial statements of the associate are prepared for every reporting period ending September 30, consistent with that of the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on its investment in the associate. The Company determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate, and its carrying value, and recognises the amount in the share of profit of an associate in the consolidated statement of income.

Upon loss of significant influence over the associate, the Company measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of the significant influence, and the fair value of the retained investment, and proceeds from disposal is recognised in profit or loss.

Significant Accounting Estimates, Judgments and Assumptions

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

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

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility and discount rates. The valuation of financial instruments is described in more detail in Note 25.

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 timing of future cash flows when determining impairment loss. These estimates are based on assumptions about a number of factors (such as, among others, the significant financial difficulty of the borrower/s and default or delinquency in interest or principal payments), and actual results may differ resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired, and all individually insignificant loans, are then assessed collectively in groups of assets with similar risk characteristics to determine whether provision should be made due to incurred loss events, for which there is objective evidence, but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as, among others, levels of arrears, credit utilisation, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including country risk, and the performance of different individual groups).

Impairment of Available-for-Sale Financial Investments

The Company reviews its debt and other securities classified as available-for-sale financial investments at each consolidated statement of financial position date and more frequently when conditions warrant an impairment assessment. This requires similar judgment as applied to the individual assessment of loans and advances.

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

Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

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 consolidated statement of financial position 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 of the current period.

On consolidation, the assets and liabilities of foreign operations are translated into the Company's presentation currency at the rate of exchange as at the reporting date, and their statements of income are translated at the weighted average exchange rates for the period. Exchange differences arising on translation are taken directly to 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.

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, and are subject to an insignificant risk of changes in value, and have original maturities of three months or less. Cash and cash equivalents may also include money market funds, which have daily liquidity and invest in highly liquid instruments, such as term deposits and commercial papers.

Financial Instruments – Initial Recognition and Subsequent Measurement

Date of Recognition

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

- The assets and liabilities are part of a group of financial assets, financial liabilities, or both which are managed and their performance re-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 or it is clear, with little or no analysis, that it would not be separately recorded. This category comprises financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

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 fair value are recorded in the consolidated statement of income.

Financial Assets or Liabilities Held for Trading

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

Derivatives Recorded at Fair Value through Profit or Loss

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

Derivatives embedded on 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 itself held-for-trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio.

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

Loans and Advances to Customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short term resale and are not classified as held for trading, designated as available-for-sale, or designated at fair value through profit or loss. After initial measurement, loans and advances are measured at amortised cost using the effective interest rate ("EIR") method, less 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 under credit loss expense in the consolidated statement of income.

Conditional sale agreements, hire purchase contracts and finance leases are initially recognised at the lower of the fair value of the leased asset or the present value of the minimum lease payments. These loans and receivables are subsequently measured at an amount equal to the net investment in the contract, less any provision for impairment.

Available-for-Sale Financial Investments

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

Investments in portfolio funds are initially recorded at cost and then carried at their net asset value ("NAV") per unit at the consolidated financial position date which represents the fair value of the investment. In addition, investments in portfolio fund are not subject to any lock up period.

Held-to-Maturity Financial Investments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Company has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the EIR method, less 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 under credit loss expense in the consolidated statement of income.

If the Company were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Company would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

As at September 30, 2013, the Company had no held-to-maturity financial investments.

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
- 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 value for financial instruments traded in active markets at the consolidated statement of financial position date is 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 25.

Impairment of Financial Assets

The Company assesses at each consolidated statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only 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, asset's historical share prices, 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 recognised will result in a reversal of the impairment loss in the period in which the event occurs.

Financial Assets at Amortised Cost

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

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

Available-for-Sale Financial Investments

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

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

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

Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Reclassification of Financial Investments

The Company may reclassify certain financial assets out of the available-for-sale classification into loans and advances to customers or the held-to-maturity classifications. Reclassification to loans and advances to customers is permitted when the financial assets meet the definition of loans and advances and the Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial investment until maturity and the held-to-maturity portfolio has not been tainted.

For a financial asset reclassified from available-for-sale, the fair value at the date of reclassification becomes its new amortised cost, and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset, using the EIR method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

See Note 5 for details of reclassification of financial investments.

Offsetting Financial Instruments

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

Derivative Financial Instruments

The Company uses derivatives to manage its credit and market risk exposures and also to provide clients with the ability to manage their own risk exposures. The Company does not use derivatives for trading or for speculative purposes.

The Company uses foreign exchange forward contracts to manage the Company's foreign exchange risk on certain investment securities denominated in foreign currencies. The Company also uses option instruments to reduce exposure to credit or market risks. One of the Company's subsidiaries also uses interest rate swaps to hedge its exposure to interest rate fluctuations.

Derivatives are carried at fair value and shown in the consolidated statement of financial position at gross value. 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.

The fair value gain or loss on a derivative depends on whether the derivative is designated as a hedging instrument. Changes in the fair value of derivatives are included in the consolidated statement of income in gains or losses on derivative financial instruments for the option contracts, and in net exchange gains or losses for the forward contracts, unless they qualify for hedge accounting in which case they are reported in other comprehensive income in the consolidated statement of financial position.

Property and Equipment

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

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

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and presented in the consolidated statement of income.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This involves recognising identifiable assets (including previously unrecognised intangible assets), and liabilities (including contingent liabilities but excluding future restructuring), of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the consolidated statement of income in the period of acquisition.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of income.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the consolidated statement of income.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Other Intangible Assets

The Company's other intangible assets include the value of computer software and customer relationships acquired in business combinations. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software	Up to 8 years
Customer relationships	Up to 15 years

Customer Drafts Payable

Customer drafts payable consists of the balance of un-cashed customer drafts at the consolidated statement of financial position date. This balance is customer-driven and fluctuates based on when customers purchase drafts and when they are presented for payment. Customer drafts payable are presented under liabilities on the consolidated statement of financial position upon issue.

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 as well as through amortisation process.

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 an accrual basis, using the effective interest rate method.

Fees and Commissions

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

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

Dividend Income

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

Expenses

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

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term and are included in other expenses in the consolidated statement of income.

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.

Defined Contribution Pension Plan

Certain subsidiaries of Somers operate a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company's subsidiaries by the employees, and is recorded as an expense under salaries and employee benefits in the consolidated statement of income.

Share-Based Payment Transactions

Certain subsidiaries of Somers operate an approved equity-settled share option scheme for its employees. In accordance with IFRS 2 Share-Based Payment awards are recognised as an expense in respect of the fair value of employee services received in exchange for the grant of share options in the particular subsidiary. A corresponding amount is recorded as an increase in equity within retained earnings. The expense is spread over the relevant vesting period and is calculated by reference to the fair value of the share options granted. In arriving at fair values, the Black Scholes pricing model is used and estimates are made of dividend yields, share price volatility, risk free rates and expected life of the share options.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 15).

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 options are only exercised and converted when the exercise price is below the average market price of the shares. It also assumes that the Company will use any proceeds to purchase its common shares at their average market price during the period. Consequently, there is no imputed income on the proceeds, and weighted average shares are only increased by the difference between the number of options exercised, outstanding warrants, and the number of shares purchased by the Company.

Treasury Stock

The Company's own equity acquired by Somers or by any of its subsidiaries ("treasury stock") is recognised at cost and deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of the Company's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale,

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

Income Taxes

Somers and its subsidiaries domiciled in Bermuda are not subject to income tax on the profit or loss for the period in Bermuda. Somers' subsidiaries domiciled in Luxembourg and the United Kingdom are subject to the tax laws of those jurisdictions. The Company records income taxes based on the tax rates applicable in the relevant jurisdiction and income taxes of $912,052 were recorded in the consolidated financial statements.

Deferred Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred tax is determined using tax rates and laws which have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income liabilities are offset if a legally enforceable right exists to set-off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions

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

Hedge Accounting

PFCG, one of the subsidiaries, uses cash flow hedges when hedging exposure to variability in cash flows which is attributable to a particular risk associated with a recognised asset or liability. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting, and the risk management objective, and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

- The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst any ineffective portion is recognised immediately in the consolidated statement of income;

- Amounts taken to equity are transferred to the consolidated statement of income when the hedged transaction affects the consolidated statement of income, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs; and

- If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Fiduciary Activities

The Company commonly acts as trustee in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets or income of the Company.

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

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

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact IAS 28 may have on the Company's consolidated financial statements. However, as the impact of adoption depends on the nature of relationships between the Company and other entities at the date of adoption, it is not practical to quantify the effect.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Company by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after January 1, 2014. Management believes that the adoption of IAS 32 will not have a significant impact on the consolidated financial statements of the Company.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set-off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with IAS 32. These amendments will become effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact IFRS 7 may have on the Company's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2017. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Bank is currently assessing the impact IFRS 9 may have on the Company's consolidated financial statements. However, as the impact of adoption depends on the assets held by the Company at the date of adoption, it is not practical to quantify the effect.

IFRS 10 – Consolidated Financial Statements, IAS 27 Separate Financial Statements

The standard becomes effective for annual periods beginning on or after January 1, 2013. It replaces the requirements of IAS 27 Consolidated and Separate Financial Statements that address the accounting for consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company is currently assessing the impact IFRS 10 may have on the Company's consolidated financial statements. However, as the impact of adoption depends on the nature of relationships between the Company and other entities at the date of adoption, it is not practical to quantify the effect.

IFRS 12 – Disclosure of Involvement with Other Entities

The standard becomes effective for annual periods beginning on or after January 1, 2013. It includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis. Now, even if the Company concludes that it does not control an entity, the information used to make that judgment will be transparent to users of the financial statements to make their own assessment of the financial impact were the Company to reach a different conclusion regarding consolidation.

The Company will need to disclose more information about the consolidated and unconsolidated structure entities with which it is involved or has sponsored. The Company is currently assessing the impact IFRS 12 may have on the Company's consolidated financial statements. However, as the impact of adoption depends on the nature of relationships between the Company and other entities at the date of adoption, it is not practical to quantify the effect.

IFRS 13 – Fair Value Measurement

The standard becomes effective for annual periods beginning on or after January 1, 2013. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements. This standard will also require the Company to review its fair value measurement policies across all asset and liability classes. The Company is currently assessing the impact IFRS 13 may have on the Company's consolidated financial statements.

Early Adoption

The Company did not early adopt any new standards during the period.

3. Cash, Money Market Funds and Term Deposits

Cash, money market funds and term deposits include:

		2013
Cash and demand deposits	$	39,751,507
Term deposits:		
Deposits maturing within 1 month		170,732,933
Deposits maturing within 1-3 months		–
Deposits maturing within 3-12 months		–
Total term deposits		170,732,933
Total	$	210,484,440

The average effective yields earned were as follows:

	2013
Cash and demand deposits with other banks	0.02%
Money market funds	0.46%
Term deposits	0.15%

4. Derivative Financial Instruments

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, index, interest rate or price underlying a derivative contract may have a significant impact on the profit or loss of the Company.

Over-the-counter derivatives may expose the Company to the risks associated with the absence of an exchange market on which to close out an open position.

The Company's exposure under derivative contracts is closely monitored as part of the overall management of the Company's market risk (see also Note 23).

Foreign Exchange Forward Contracts

Foreign exchange forward contracts are contractual agreements to buy or sell a specified amount of foreign currency at a future date at an exchange rate fixed at inception of the contract. Forwards are customised contracts transacted in the over-the-counter market.

Option Contracts

Option contracts are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy or sell a security at or by a specific future date. The Company purchases options through regulated exchanges and in the over-the-counter markets. Options purchased by the Company provide the Company with the opportunity to purchase the underlying asset at an agreed-upon value either on or before the expiration of the option. The Company is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. The only option contracts that the Company entered into during the period were index and equity options.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Company with other financial institutions in which the Company either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

The table below shows the fair values of derivative financial instruments recorded as assets and liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying reference asset, index, interest rate, or price and is the basis upon which changes in the value of derivatives are measured. The notional amounts of the derivatives are not recorded on the consolidated statement of financial position. The notional amounts indicate the volume of transactions outstanding at the period-end and are indicative of neither the market risk nor the credit risk.

	2013		
	Assets	Liabilities	Notional Amount
Foreign exchange forward contracts	$ –	$ 6,226,858	$ 170,955,540
Index option contracts	2,505,500	–	67,250,000
Interest rate swap contracts	–	48,827	27,519,600
Equity option contracts	581,211	355,833	4,705,428
Warrants	1,086,560	–	–
Total	$ 4,173,271	$ 6,631,518	$ 270,430,568

At September 30, 2013, the net cost of the derivatives amounted to $7,971,512.

5. Financial Investments

Available-for-Sale Financial Investments

The fair values of available-for-sale financial investments by major classifications of financial investments at September 30 were as follows:

	2013
Corporate debt securities	$ 101,061,031
Debt securities issued by banks	40,336,900
Asset-backed securities	36,636,969
Government debt securities	20,683,157
Equities	29,073,246
Portfolio funds	22,590,853
Total	$ 250,382,156

At September 30, 2013, the cost of available-for-sale financial investments amounted to $235,104,646.

During the period, held-to-maturity financial investments with an amortised cost of $15,304,911 matured or were sold by BCB. Of this amount, $3,076,923 were sold to a related party (refer to Note 19) and the remaining $12,227,988 were sold to third parties.

Reclassification of Financial Investments

During the period, BCB reclassified held-to-maturity financial investments with an amortised cost of $77,953,069 to the available-for-sale category as at April 1, 2013. The fair value of the assets transferred to available-for-sale was $79,449,769, resulting in an unrealised gain of $1,496,700 being recorded in other comprehensive income. On the same date, held-to-maturity financial investments with an amortised cost of $16,181,415 were reclassified to loans and advances and continued to be carried at amortised cost.

6. Loans and Advances to Customers

Loans and advances to customers and the allowance for loan losses at September 30 were as follows:

	2013		
	Gross	Allowance	Net
Commercial overdrafts	$ 15,025,797	$ –	$ 15,025,797
Commercial loans	51,091,656	–	51,091,656
Consumer mortgage loans	411,887	50,000	361,887
Credit cards	192,700	–	192,700
Hire purchase agreement receivables	106,534,478	6,429,545	100,104,933
Finance lease receivables	34,704,843	2,974,407	31,730,436
Others	45,714	–	45,714
Total	$ 208,007,075	$ 9,453,952	$ 198,553,123

Allowance for loan losses consists of:

	Hire Purchase Agreement Receivables	Finance Lease Receivables	Consumer Mortgage Loans	Total
Balance at beginning of period	$ –	$ –	$ –	$ –
Acquisition of subsidiaries	8,284,689	3,620,308	50,000	11,954,997
Utilised	(4,343,240)	(1,576,711)	–	(5,919,951)
Additional provisions created	2,488,096	930,810	–	3,418,906
End of period	$ 6,429,545	$ 2,974,407	$ 50,000	$ 9,453,952

Included within commercial loans with a cost of $22,269,594 are loans that were reclassified from held-to-maturity financial investments on April 1, 2013 at an amortised cost of $16,181,415.

The loan portfolio at September 30 by contractual maturity is as follows:

	Within 1 Year	1-5 Years	More than 5 Years	Total
Hire purchase agreement receivable	$ 62,135,984	$ 37,958,791	$ 10,158	100,104,933
Commercial loans	2,597,114	22,225,568	26,268,974	51,091,656
Finance lease receivables	20,428,174	11,302,262	–	31,730,436
Commercial overdrafts	15,025,797	–	–	15,025,797
Consumer mortgage loans	–	361,887	–	361,887
Credit cards	192,700	–	–	192,700
Others	22,877	22,837	–	45,714
Total	$ 100,402,646	$ 71,871,345	$ 26,279,132	$ 198,553,123

Credit Quality

	Neither Past Due Nor Impaired	Past Due But Not Impaired Up to One Month	Past Due But Not Impaired One Month To Two Months	Past Due But Not Impaired Over Two Months	Impaired	Gross Loans and Receivables	Unearned Future Finance Income	Loan Loss Provision	Total
Hire purchase agreement receivables	$ 112,153,769	$ 3,316,740	$ 590,728	$ –	$ 16,739,423	$ 132,800,660	$ (26,266,182)	$ (6,429,545)	$ 100,104,933
Commercial loans	50,809,233	81,493	158,642	42,288	–	51,091,656	–	–	51,091,656
Finance lease receivables	30,508,278	1,782,593	126,307	–	7,803,490	40,220,668	(5,515,825)	(2,974,407)	31,730,436
Commercial overdrafts	15,013,116	1,707	10,974	–	–	15,025,797	–	–	15,025,797
Consumer mortgage loans	24,297	4,059	16,879	366,652	–	411,887	–	(50,000)	361,887
Credit cards	192,700	–	–	–	–	192,700	–	–	192,700
Others	45,714	–	–	–	–	45,714	–	–	45,714
Total	$ 208,747,107	$ 5,186,592	$ 903,530	$ 408,940	$ 24,542,913	$ 239,789,082	$ (31,782,007)	$ (9,453,952)	$ 198,553,123

Collateral

		2013
Loans secured on equipment, plant and vehicles under conditional sale/hire purchase agreements	$	125,207,774
Finance leases of equipment, plant and vehicles		40,220,669
Loans secured on cash, shares or other financial assets		27,304,285
Property		28,884,026
Unsecured loans		18,172,328
Gross loans and receivables	$	239,789,082

The average effective yields earned were as follows:

	2013
Hire purchase agreement receivables	13.70%
Finance lease receivables	16.00%
Commercial loans	4.20%
Commercial overdrafts	4.74%
Credit cards:	
Executive level	12.00%
Client level	14.50%

Yields are not provided for consumer mortgage loans as these products are in run-off.

7. Investments in Associates

Ascot Lloyd Holdings Limited

Somers was deemed to have acquired significant influence of Ascot Lloyd Holdings Limited ("Ascot Lloyd"), a UK holding company, by virtue of potential voting shares resulting from convertible loan notes that Somers held as of September 30, 2013 and its representation in the board of Directors of Ascot Lloyd.

As at September 30, 2013, Somers held $2.8 million (£1.75 million) of 6% convertible notes of Ascot Lloyd which, if converted, would have resulted in Somers holding 19.69% interest in Ascot Lloyd.

Westhouse Holdings plc

Westhouse Holdings plc ("Westhouse") and its subsidiaries provide corporate finance advice and institutional corporate broking services to companies seeking to have their shares traded on a regulated market or already trading on a regulated market. Westhouse Securities Limited, a subsidiary of Westhouse, is authorised and regulated by the Financial Conduct Authority, is a member of the London Stock Exchange, a NOMAD for AIM listed companies and a Sponsor of Official List companies.

The movement in Westhouse's shares owned by Somers was as follows:

	2013
Balance at beginning of period	–
Purchases during the period	15,235,277
Balance at end of period	15,235,277

At September 30, 2013, the Company had a 46.13% interest in Westhouse.

The following table illustrates the summarised financial information of the Company's investment in Westhouse as at September 30:

	2013
Associate's consolidated statement of financial position:	
Current assets	$ 7,961,531
Non-current assets	5,849,912
Current liabilities	(11,746,196)
Non-current liabilities	(1,304,465)
Equity	$ 760,782
Associate's consolidated profit or loss:	
Revenue	$ 12,022,398
Expenses	15,049,608
Net loss	$ (3,027,210)
Carrying amount of the investment	$ 5,403,345

Current liabilities of Westhouse include a 10% loan payable to Somers amounting to $3.2 million which will mature between December 31, 2013 and February 13, 2014.

8. Property and Equipment

2013	Equipment	Leasehold Improvements	Land	Building	Investment Property	Total
Cost						
Balance at beginning of period	$ –	$ –	$ –	$ –	$ –	$ –
Acquisition of subsidiaries	7,769,818	3,020,283	993,300	1,806,700	48,261,470	61,851,571
Additions	464,461	1,191	–	–	–	465,652
Disposals	(45,197)	–	–	–	–	(45,197)
Balance at end of period	8,189,082	3,021,474	993,300	1,806,700	48,261,470	62,272,026
Accumulated depreciation						
Balance at beginning of period	–	–	–	–	–	–
Acquisition of subsidiaries	5,973,076	2,692,087	–	45,167	–	8,710,330
Disposals	(45,197)	–	–	–	–	(45,197)
Depreciation charge for the period	364,619	42,915	–	45,168	14,856	467,558
Balance at end of period	6,292,498	2,735,002	–	90,335	14,856	9,132,691
Net book value at end of period	$ 1,896,584	$ 286,472	$ 993,300	$ 1,716,365	$ 48,246,614	$ 53,139,335

9. Goodwill and Other Intangible Assets

	2013			
	Computer Software	Customer Relationships	Goodwill	Total
Cost				
Balance at beginning of period	$ –	$ –	$ –	$ –
Acquisition of subsidiaries	6,547,489	4,154,402	41,435,968	52,137,859
Additions	826,767	–	–	826,767
Disposals	(3,734,916)	–	–	(3,734,916)
Balance at end of period	3,639,340	4,154,402	41,435,968	49,229,710
Accumulated amortisation				
Balance at beginning of period	–	–	–	–
Acquisition of subsidiaries	2,086,043	276,804	–	2,362,847
Disposals	(798,350)	–	–	(798,350)
Amortisation charge for the period	456,063	276,804	–	732,867
Balance at end of period	1,743,756	553,608	–	2,297,364
Net book value at end of period	$ 1,895,584	$ 3,600,794	$ 41,435,968	$ 46,932,346

Intangible assets - Customer relationships

Customer relationships are initially recorded at the net present value of the future net cash flows that are expected to be gained from the existing customer base at the date of acquisition. BCB recognised intangible assets of $4,154,402, relating to customer relationships resulting from BCB's previous acquisitions of two subsidiaries. This amount is amortised on a straight-line basis over the expected life span of positive net cash flows.

Goodwill

	2013
Business Segment	
Asset management	38,712,597
Banking services	2,723,371
Total	41,435,968

Asset Management Segment

Asset management segment goodwill is related entirely from the acquisition of Waverton in August 2013. There has been no impairment to this goodwill in the current period.

The recoverable amount of goodwill is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates, assets under management and direct costs. Management estimates discount rates using rates which reflect current market assessments of the time value of money and estimates cash flows adjusted for risks specific to the asset management segment. Changes in assets under management and direct costs are based on historic experience and expectations of future changes in the market. The Group produces a cash flow forecast for a three year period which assumes a constant growth rate consistent with current market conditions and recent historic growth. Growth beyond this period is assumed as nil. The risk-adjusted cash flows are discounted using a discount rate of 10.2%.

Banking Services Segment

Banking services segment goodwill arises from BCB's acquisition of Paragon Trust Limited and Charter Corporate Services Limited in October 2011. There has been no impairment to this goodwill in the current period.

The recoverable amount of goodwill is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates, customer attrition rates and direct costs. Discount rates are estimated using the rate assumed at the acquisition date and adjusted for the risk-free rate of return. Management estimates cash flows adjusted for risks specific to the trust and corporate services industries. Changes in customer attrition rates and direct costs are based on historic experience and expectations of future changes in the market. The Company produces a cash flow forecast for a five year period which assumes a constant growth rate consistent with current market conditions and recent historic growth. Growth beyond this period is assumed as nil. The risk-adjusted cash flows are discounted using a discount rate of 10.8%.

10. Other Assets

		2013
Accounts receivables	$	5,268,794
Other receivables, net of impairment $2,972,592		6,101,518
Accrued income		14,647,494
Prepayments		3,328,952
Total	$	29,346,758

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

11. Deposits

		2013
Demand deposits	$	253,872,954
Term deposits:		
Deposits maturing within 1 month		70,858,634
Deposits maturing – 1-3 months		26,436,279
Deposits maturing – 3-12 months		43,554,267
Deposits maturing – 1-5 years		66,468,195
		207,317,375
Total	$	461,190,329

The average effective rates paid were as follows:

	2013
Term deposits based on book values and contractual interest rates	1.61%
Demand deposits	0.02%

12. Other Liabilities

		2013
Payables for financial investments purchased	$	922,352
Accounts payable		2,435,148
Accrued liabilities		13,239,504
Total	$	16,597,004

13. Interest Bearing Loans and Borrowings

		2013
Current:		
Secured loans and borrowings	$	7,489,823
Convertible debt		–
		7,489,823
Non-current:		
Secured loans and borrowings		117,363,692
Convertible debt		1,979,374
		119,343,066
Total interest bearing loans and borrowings	$	126,832,889

Loans and borrowings are stated net of unamortised issue costs of $1,295,040. These costs are allocated to the consolidated statement of income over the term of the facility using the effective interest method.

Bank Overdrafts

The bank overdraft has an effective interest rate of base rate plus a margin and is secured by a debenture over the individual group undertaking to which it applies. The facility is repayable on demand.

Interest-Bearing Loans and Borrowings

PCFG has the following interest-bearing loans and borrowings:

$89.0 Million (£55.0 Million) Term Loan Facility

This loan has an effective interest rate of LIBOR plus a margin and a maturity date of October 1, 2015. The loan is secured by both a charge over the loans and receivables and a debenture over the assets of the group undertaking to which it applies and the guarantee of PCFG.

$0.8 Million (£0.5 Million) Term Loan Facility

This loan has an effective interest rate of LIBOR plus a margin and a maturity date of December 31, 2013. The loan is secured by both a charge over the loans and receivables and a debenture over the assets of the group undertaking to which it applies and the guarantee of PCFG.

$11.3 Million (£7.0 Million) Term Loan Facility

This loan has an effective interest rate of LIBOR plus a margin and a maturity date of November 19, 2015. The loan is secured by both a charge over the loans and receivables and a debenture over the assets of the group undertaking to which it applies and the guarantee of PCFG.

$4.9 Million (£3.0 Million) Term Loan Facility

This loan has fixed interest rates and maturity dates of up to four years. The loan is secured by both a charge over the loans and receivables and a debenture over the assets of the group undertaking to which it applies and the guarantee of PCFG.

$17.0 Million (£10.5 Million) Block Discounting Facility

This loan has a fixed interest rate and a maturity dates of up to four years. The facility is secured by both a charge over the loans and receivables and a debenture over the assets of the group undertaking to which it applies and the guarantee of PCFG.

$17.0 Million (£10.5 Million) Block Discounting Facilities

These loans have fixed interest rates and maturity dates of up to four years. The facilities are secured by charges over the loans and receivables of the group undertaking to which they apply.

Convertible Debt

In September 2013, PCFG issued $6.6 million (£4.1 million) of $1.6 (£1) convertible unsecured loan notes at par. The loan notes have a final maturity date of September 30, 2016 and carry an interest rate of 6%. $4.9 million (£3 million) of the proceeds were used to repay the subsidiary's 8% and 10% convertible unsecured loan notes that matured on September 30, 2013. Management expects that the balance of the proceeds of $1.8 million (£1.1 million) will be used to fund the future growth of the consumer and business finance segment.

WHH has the following interest-bearing loan:

$17.0 Million Block Discounting Facility

On February 27, 2009, Belvedere Place A Limited, a subsidiary of the Company, entered into a construction loan agreement in the amount of $17.0 million for a period of two years at an interest rate of 1.5% per annum plus the quoted rate of 30 days LIBOR. During the construction period, interest was calculated on a monthly basis based on the closing LIBOR rate at the end of each month. On the maturity date of the loan, the loan was converted to a fifteen year amortised loan with similar terms and conditions. WHH offered all of its land, buildings and new development as security for the loan by way of a legal mortgage, as well as an assignment of the benefit of the construction contract and an assignment of all rental income from the existing commercial properties it owns.

The average effective yields earned were as follows:

	2013
Secured loans and borrowings	5.29%
Convertible debt	6.00%

14. Equity

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

	Authorised Shares	Par Value	Issued & Fully Paid Shares	Par Value	Share Premium
Balance at September 18, 2012	120,000,00	$ 12,000	–	$ –	$ –
Amalgamation with BCB (Note 26)	–	–	7,003,318	700	100,755,367
Issuance of 1,278,306 shares	–	–	1,278,306	128	17,894,760
Exercise of 500,000 options	–	–	500,000	50	2,848,550
Exercise of 1,914,146 warrants	–	–	1,914,166	192	22,973,963
Balance at September 30, 2013	120,000,000	$ 12,000	10,695,790	$ 1,070	$ 148,472,640

Treasury Stock

	2013	
	Number of Shares	Amount
Balance at beginning of the period	–	$ –
Purchase of treasury stock	45,388	549,900
Sale of treasury stock	–	–
Balance at end of period	45,388	$ 549,900

Regulatory Capital

BCB

The Bermuda Monetary Authority ("BMA") adopts the Basel II Accord which calls for additional and more detailed disclosures and risk management. Under Basel II, and in agreement with the BMA, all banks in Bermuda are required to maintain higher Tier 1 and total regulatory capital ratios than previously required under Basel I. The BMA assesses the risk of each institution and determines a separate Individual Capital Guidance for each bank. BCB has complied with all minimum capital requirements prescribed by the BMA and at September 30, 2013, BCB's Tier 1 and total regulatory capital ratios of 22.38% and 20.67%, respectively, exceeded the prescribed limits.

Waverton

Waverton is an indirect subsidiary of Somers. Waverton is a specialist investment house focused on the discretionary management of portfolios for private individuals, their related family interests and intermediate customers. Waverton also manages charities and other specialist investment portfolios. Waverton's lead regulator, the Financial Conduct Authority ("FCA"), sets and monitors capital requirements for Waverton. In implementing current capital requirements the FCA requires Waverton to have capital in excess of its capital requirements. Waverton must at all times monitor and demonstrate its compliance with the relevant regulatory capital requirements of the FCA. Waverton has put in place processes and controls to monitor and manage Waverton's capital adequacy and no breaches were reported to the FCA during the period.

With the exception of BCB and Waverton, the other Group companies are not subject to external regulatory capital requirements. PCFG, however, is required within several of its subsidiaries' borrowing facilities to maintain a ratio of borrowings to net worth. Throughout the period PCFG complied with these ratios.

Capital Management

The Company's capital levels are continuously reviewed by the Board of Directors in light of changes in economic conditions and the risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue new capital securities.

Warrants issued

On December 14, 2012, the Company issued 240,746 warrants over Somers shares to Utilico. The warrants have an exercise price of $14.34 per share and expire on December 31, 2015. As at September 30, 2013, these warrants had yet to be exercised.

On February 11, 2013, the Company issued warrants on a one for three basis to all Somers' shareholders. The warrants had an exercise price of $12.00 per share and expired on December 31, 2013. As at September 30, 2013, 1,914,513 warrants had been exercised by Somers' shareholders.

15. Earnings Per Share

	Net Earnings	Weighted Average Shares	Earnings Per Share
Basic Earnings Per Share			
Net profit	$ 13,843,559	8,667,063	$ 1.60
Add: Incremental shares from assumed exercise of stock options (Note 14)		6,662	
		8,673,725	
Diluted Earnings Per Share			
Net profit	$ 13,843,559	8,763,725	$ 1.60

16. Dividends

	2013
Declared and paid: November 2012 (2013: $0.20 per share)	$ 1,741,414
Declared and paid: June 2013 (2013: $0.12 per share)	1,049,125
Total	$ 2,790,539

17. Fees and Commissions

	2013
Banking services	$ 4,589,313
Asset management	6,920,451
Consumer and business finance	430,096
Total	$ 11,939,860

18. General and Administrative Expenses

	2013
Rent and premises	$ 1,680,591
Advertising and marketing	598,757
Professional fees	2,380,563
Information technology and systems	4,056,700
Banking services and license	2,062,267
Investment advisory fees (Note 19)	3,385,399
Board costs (Note 19)	247,823
Administrative	7,104,374
Total	$ 21,516,474

19. Related-Party Disclosures

As at September 30, 2013, the Investor Group held, in aggregate, 87.61% of Somers' common shares. Details of the Investor Group are disclosed in Note 1.

Investment Adviser Agreement

BCB entered into an investment adviser agreement with a related party, ICM Limited ("ICM"), which remains in force until terminated by BCB's Asset and Liability Committee ("BCB's ALCO") or the Investment Adviser upon giving the other party not less than three month's written notice of termination or such lesser period of notice as BCB's ALCO or the Investment Adviser agree. Pursuant to the agreement, BCB's investment objective is to achieve an appropriate income return and/or capital growth in the value of the portfolio by investing in suitable investments, which may be amended by a specific written instruction to the Investment Adviser by BCB's ALCO.

BCB and the Investment Adviser also entered into a variation agreement whereby the former agreed to pay the Investment Adviser for its advisory services an annual fee of 0.50% (payable quarterly in arrears) of the value of the portfolio. For the period ended September 30, 2013, such fees amounted to $1,212,578, of which $Nil remained payable at period end. In addition, pursuant to a consultancy agreement, a fee of $100,000 was paid to the Investment Adviser for its consultancy services. These fees are included in investment advisory fees within general and administrative expenses in the consolidated statement of income (Note 18).

Depending upon the performance of the portfolio, BCB's ALCO may, in its sole discretion, determine that the Investment Adviser ought to receive a payment on account of the services provided. The Investment Adviser is also entitled to recover any expenses incurred by it that relate exclusively to the services specified in the agreement, following disclosure of details of the expense (including amount) to BCB's ALCO. During the period, BCB paid the Investment Adviser a performance fee of $1,839,482 included in investment advisory fees within general and administrative expenses in the consolidated statement of income (Note 18).

In December 2012, Somers entered into an investment adviser agreement with ICM, which remains in force until terminated by Somers or ICM upon giving the other party not less than one month's written notice of termination or such lesser period of notice as Somers or ICM agree. Somers agreed to pay ICM an annual fee for its advisory services equal to 0.50% (payable quarterly in arrears) of the gross asset value of Somers' investments. For the period ended September 30, 2013, such fee amounted to $152,399, of which $Nil remained payable at period end. This fee is included in investment advisory fees within general and administrative expenses in the consolidated statement of income (Note 18).

Related-Party Transactions With the Investor Group and the Investor Group's Related Parties

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

For the period ended September 30, 2013, BCB earned interest and fees of approximately $1,266,904 for banking services provided to such related parties.

At September 30, 2013, total loans and advances given to such related parties amounted to $24,771,586, of which $11,127,549 was unsecured and $13,644,037 was secured by the related parties' cash and portfolio assets managed/custodied by BCB. There have been no guarantees provided or received for the unsecured related party transactions. For the period ended September 30, 2013, no provision for doubtful debts relating to amounts owed by such related parties was made.

At September 30, 2013, deposit balances of such related parties with BCB amounted to $7,568,543.

At September 30, 2013, BCB had investments in a number of asset-backed notes in RESIMAC Triomphe Trusts, standalone residential mortgage backed entities managed, but not controlled, by RESIMAC (a related party by virtue of a common shareholder and investment adviser) totalling in aggregate $22,785,861. These asset-backed notes were recorded in the consolidated statement of financial position within loans and advances.

At September 30, 2013, BCB had investments in the BCB Bond Fund that is related to BCB by way of a common investment adviser, ICM Limited. These investments were recorded in Somers' consolidated statement of financial position within available-for-sale financial investments at fair value of $11,184,000. During the period, BCB sold securities to this fund at their fair value of $10,381,336 and purchased securities from this fund at their fair value of $441,322. At September 30, 2013, total loans and advances given to this fund by BCB amounted to $165,306 and deposit balances from this investment portfolio with BCB amounted to $1,713,637.

During the period, BCB made an investment in an investment holding company that is related to the BCB by way of a common investment adviser, ICM Limited. This investment was recorded in Somers' consolidated statement of financial position within available-for-sale financial investments at fair value of $10,206,950. During the period, BCB sold securities to this holding company at their fair value of $16,781,673 and purchased securities from this holding company at their fair value of $428,531. At September 30, 2013, total loans and advances given to this investment holding company amounted to $424,559.

During the year Somers entered into an agreement with ICM, whereby ICM agreed to act as Somers' corporate finance adviser in relation to the acquisition of Waverton. On completion of the acquisition of Waverton by Somers, Somers paid ICM a fee of $381,825 for its services as corporate finance adviser.

Transactions with Directors

The aggregate Director's fees of Somers and its subsidiaries for the period ended September 30, 2013 amounted to $404,524. BCB also provides banking services to Directors. At September 30, 2013, Directors and parties associated with Directors had deposit balances with BCB of $702,427. At September 30, 2013, total loans and advances given to Directors amounted to $Nil.

20. Employee Benefits

The Company's subsidiaries contribute to a number of defined contribution pension schemes in Bermuda and the UK.

All schemes are administered by independent parties, and all such funds are segregated from the assets and liabilities of the Company. Pension expense incurred during 2013 amounted to $833,654 and is included within salaries and employee benefits in the consolidated statement of income.

21. Income Taxes

(a) Analysis of tax charge for the period

		2013
Current tax		
Current tax on profits for the period	$	438,000
Deferred tax		
Originator and reversal of timing difference		278,675
Effect of the rate charge		195,377
Total deferred tax		474,052
Income tax charge	$	912,052

(b) Factors affecting current tax charge for the period

The tax assessed for the period differs from the standard rate of Corporation Tax in the UK of 23%. The differences are explained below.

The UK Government reduced the main rate of Corporation Tax from 24% to 23% with effect from April 1, 2013, which has been reflected in the amount of the recognised deferred tax asset. The intention to reduce the UK Corporation Tax by a further 2% to 21% with effect from April 1, 2014 and to 20% from with effect from April 1, 2015 was substantively enacted in July 2013. The effect of this tax rate reduction upon the Company's deferred tax balance cannot be reliably quantified at this stage.

		2013
Profit on ordinary activities before taxation	$	2,858,276
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 23.3%		664,917
Permanent differences		126,223
Expenses not deductible for taxation purposes		6,475
Change in tax rate		195,377
Utilisation of previously unrecognised losses		(80,940)
Income tax change	$	912,052

(c) Deferred Tax Assets

Deferred tax assets are attributable to the following items:

		2013
Decelerated capital allowances	$	3,948,988
Other temporary differences		29,138
Total	$	3,978,126

The movement for the period on the deferred tax account is as follows:

		2013
Balance at beginning of period:	$	–
Acquisition of subsidiaries		4,792,010
Recognised in income		(474,051)
Recognised in equity		(339,833)
Balance at end of period	$	3,978,126

22. Commitments and Contingent Liabilities

BCB's premises lease expires on September 30, 2014. Future minimum rental payables under the operating lease as at September 30 were as follows:

		2013
Within one year	$	526,456
After one year but not more than five years		–
More than five years		–
Total	$	526,456

Waverton has entered into a premises lease that expires on September 30, 2015. Future minimum rental payables under the operating lease as at September 30, were as follows:

		2013
Within one year	$	1,474,727
After one year but not more than five years		1,474,727
More than five years		–
Total	$	2,949,454

The loan facilities in the following PCFG's subsidiary undertakings are secured by a debenture over the assets of PCFG:

- PCF Group Limited
- Private and Commercial Finance Company Limited
- PCF Asset Finance Limited
- PCF Business Finance Limited
- PCF Equipment Leasing Limited
- PCF Financial Leasing Limited
- PCF Leasing Limited

23. Risk Management

The management of risk is a key function of the Company and it is core to the Company's profitability; a failure to manage risk can result in losses. The Company is exposed to a variety of risks as a result of holding financial instruments, the most significant of which are credit risk, market risk, and liquidity risk. The Board of Directors is responsible for overall risk management and manages risk by delegating risk control activities to the individual subsidiaries who manage risk through sets of formal processes that includes controls, policies, reporting, and review. These risks are summarised below.

Credit Risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company is exposed to credit risk from its operating and financing activities, including loans and advances, deposits with other banks and financial institutions, foreign exchange transactions and financial instruments. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Liquidity Risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, the Boards of the subsidiaries have adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis.

The Company maintains significant balances of short maturing interbank deposits along with a portfolio of highly marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Company.

The tables on the succeeding pages summarise the maturity profile of the Company's assets and liabilities as at September 30. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cash flows indicated by the Company's deposit retention history.

	Less than 1 Year	1-5 Years	Over 5 Years	Total
Assets				
Cash, money market funds and term deposits:				
Due on demand	$ 39,751,507	$ –	$ –	$ 39,791,507
Term deposits	170,732,933	–	–	170,732,933
Loan to an associate	3,025,336	2,832,200	–	5,857,536
Interest receivable	4,069,049	4,795	–	4,073,844
Other assets	29,346,758	–	–	29,346,758
Loans and advances to customers	149,824,341	48,718,624	10,158	198,553,123
Financial investments	71,896,074	57,192,237	121,293,845	250,382,156
Derivative financial instruments	1,184,060	2,970,511	18,700	4,173,271
Property and equipment	–	1,135,279	52,004,056	53,139,335
Goodwill and other intangible assets	–	870,587	46,061,759	46,932,346
Investments in associates	–	–	5,403,345	5,403,345
Deferred tax assets	–	458,203	3,519,923	3,978,126
Total	$ 469,830,058	$ 114,182,436	$ 228,311,786	$ 812,324,280
Liabilities				
Deposits:				
Demand deposits	$ 253,872,954	$ –	$ –	$ 253,872,954
Term deposits	140,849,179	66,468,196	–	207,317,375
Interest bearing loans and borrowings	7,489,824	112,990,879	6,352,186	126,832,889
Customer drafts payable	2,527,491	–	–	2,527,491
Derivative financial instruments	6,275,685	355,833	–	6,631,518
Other liabilities	16,597,004	–	–	16,597,004
Interest payable	3,821,665	–	–	3,821,665
	431,433,802	179,814,908	6,352,186	617,600,896
Net assets (liabilities)	$ 38,396,256	$ (65,632,472)	$ 221,959,600	$ 194,723,384

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The impact of interest rate risk on the Company's operating segments is detailed below.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Financial instruments affected by market risk include loans and advances, deposits, available-for-sale investments and derivative financial instruments. The market risk for the Company's financial instruments is managed and monitored using sensitivity analyses. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant at September 30, 2013.

Banking Services

BCB has adopted a predominantly matched book approach with its asset and liability management which significantly reduces its interest rate risk. The Board of BCB has established limits on interest rate gaps over different time horizons and positions are monitored on a daily basis.

Interest rate movements cause changes in interest income and interest expense and, although these changes move in the same direction, their relative magnitude will favourably or unfavourably impact annual profit or loss and the value of equity. The extent of that impact depends on several factors, including matching of asset and liability maturities and the interest rate curve. Assets and liabilities are managed to optimise the impact of interest rate movements in view of anticipated rate changes.

As a result of the low interest rate environment and the current uncertainty prevailing in the credit markets, it is difficult to accurately forecast the potential impact of an immediate and sustained variation in interest rates on profit and loss and on the amount of equity. At September 30, 2013 and 2012, the U.S. Federal Funds rate, a key driver of the BCB's interest income ranged between 0 – 0.25%. On the assumption that interest rates remain positive, BCB assesses the impact on net income due to negative variation in interest rates to be limited.

Consumer and Business Finance

All of PCFG's loans and receivables are at fixed rates over the term of the contract. Credit facilities provided by banks and finance houses are at fixed and floating rates. Interest rate swaps are used, to the extent considered appropriate. To reduce interest rate fluctuations on floating rate borrowings. To the extent that PCFG's loans and receivables are not matched by borrowings at fixed rates or by interest rate swaps, it has risk from changes in market interest rates.

Asset Management

Waverton generates its core revenues from fee based operations. The holding of financial assets and liabilities are not core to Waverton's operations and as such Waverton does not actively manage interest rate risk.

The following table demonstrates Waverton's sensitivity to a possible change in interest rates, with all other variables held constant. The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the floating rate financial assets and financial liabilities held at September 30.

		2013
25-basis-point increase in interest rates		
Impact on profit (for the next 12 months)	$	370,910
Impact on equity (for the next 12 months)	$	(1,164,941)
25-basis-point decrease in interest rates		
Impact on profit (for the next 12 months)	$	(47,556)
Impact on equity (for the next 12 months)	$	1,488,296

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Hedging strategies in BCB are used to ensure positions are maintained as close as possible to neutral. The Company does not hedge its exposure in regards to its investments in subsidiaries and associates who report in foreign currencies. A 10 percent increase in the currency rates to which the Company had significant exposure at September 30, 2013, would have increased profit and equity by $4,753,592 and 2,462,428 respectively. An equivalent decrease would have resulted in an equivalent but opposite impact.

Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. A 10 percent increase in the value of the Company's available-for-sale equities at September 30, 2013, would have increased equity by $2,907,324. An equivalent decrease would have resulted in an equivalent but opposite impact.

24. Segment Information

For management purposes, the Company is organised into four business segments:

Banking Services

The Banking Services segment is responsible for corporate, institutional, and individual customers' deposits, credit facilities, and funds transfer facilities. This segment also provides trust administration, corporate services and custody services.

Asset Management

The Asset Management segment provides discretionary investment management on behalf of private clients, charities, trusts and collective management vehicles and the management of other specialist funds including hedge funds.

Consumer and Business Finance

The Consumer and Business Finance segment provides finance for vehicles, plant and equipment for consumers and businesses.

Corporate

Operating expenses including finance and other central functions that are not directly attributable to other business segments are recorded in the Corporate segment. This segment also includes the Company's property business.

Management monitors the operating results of these business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

The Company has subsidiaries in Bermuda, Luxembourg and the United Kingdom. The assets, liabilities and results of these entities are incorporated into the segment information. No single customer accounted for 10% or more of the Company's revenues for the period.

The following table presents income and expense and certain asset and liability information regarding the Company's business segments:

	Banking Services	Asset Management	Consumer and Business Finance	Corporate	Elimination of Inter-Segment Amounts	Totals
Net interest income from external customers	$ 15,976,782	$ (511,785)	$ 11,294,525	$ 631,179	$ –	$ 27,390,701
Fees and other income from external customers	6,729,221	6,969,329	430,096	5,209,394	(3,151,115)	16,186,925
(Losses)/gains on derivative financial instruments	(3,052,712)	–	282	–	–	(3,052,430)
Gain on sale of available-for sale and held-to-maturity financial investments	14,691,904	–	–	2,119,462	–	16,811,366
Inter-segment fees and other income	–	–	–	–	– –	
Total income	34,345,195	6,457,544	11,724,903	7,960,035	(3,151,115)	57,336,562
Depreciation	(329,929)	(28,208)	(94,565)	(14,856)	–	(467,558)
Amortisation	(505,811)	–	(227,056)	–	–	(732,867)
Impairment losses on receivables	(2,972,592)	–	–	–	–	(2,972,592)
Operating expenses	(21,673,874)	(5,775,141)	(9,900,563)	(1,282,975)	224,619	(38,407,934)
Income before tax	8,862,989	654,195	1,502,719	6,662,204	(2,926,496)	14,755,611
Income tax expense	–	(438,000)	(474,052)	–	–	(912,052)
Net income	$ 8,862,989	$ 216,195	$ 1,028,667	$ 6,662,204	$ (2,926,496)	$ 13,843,559
Segment assets	$ 591,673,638	$ 73,246,773	$ 140,286,921	$ 228,719,594	$ (221,602,646)	$ 812,324,280
Segment liabilities	$ 482,210,359	$ 45,973,697	$ 132,499,872	$ 33,123,941	$ (76,206,974)	$ 617,600,896

25. 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

Derivative Financial Instruments

The Company's derivative financial instruments valued using a valuation technique with market observable inputs include forward foreign exchange contracts. The most frequently applied valuation technique includes the forward pricing model which incorporates various inputs including the forward rates.

The Company's derivative financial instruments valued using a valuation technique with significant non-market observable inputs include equity option contracts. These derivatives are valued using models that calculate the present value such as the binomial model for options. The model incorporates various unobservable assumptions that include the market rate volatilities.

Available-for-Sale Financial Investments

Available-for-sale financial assets valued using valuation techniques include unquoted equity and debt securities. These assets are valued using models that use both observable and unobservable data. The unobservable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry, and geographical jurisdiction in which the investee operates.

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

2013	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Forward foreign exchange contracts	$ –	$ –	$ –	$ –
Exchange-traded index option contracts	2,505,500	–	–	2,505,500
Equity option contracts	–	–	581,211	581,211
Warrants	–	–	1,086,560	1,086,560
	2,505,500	–	1,667,771	4,173,271
Available-for-sale financial investments				
Corporate debt securities	41,468,897	40,451,304	19,140,830	101,061,031
Debt securities issued by banks	21,511,832	14,660,017	4,165,051	40,336,900
Asset-backed securities	–	9,958,246	26,678,723	36,636,969
Equities	17,462,806	5,527,558	6,082,882	29,073,246
Government debt securities	19,998,800	684,357	–	20,683,157
Portfolio funds	–	22,590,853	–	22,590,853
	100,442,335	93,872,335	56,067,486	250,382,156
Total	$ 102,947,835	$ 93,872,335	$ 57,735,257	$ 254,555,427
Financial liabilities				
Derivative financial instruments				
Forward foreign exchange contracts	$ –	$ 6,226,858	$ –	$ 6,226,858
Equity option contracts	–	355,833	–	355,833
Interest rate swap contracts	–	48,827	–	48,827
Total	$ –	$ 6,631,518	$ –	$ 6,631,518

Movement in Level 3 financial instruments measured at fair value:

	Corporate Debt Securities	Asset-Backed Securities	Debt Securities issued by Banks	Equities	Equity Option Contracts	Warrants	Total
At September 18, 2012	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Acquisition of subsidiaries	10,208,854	26,659,590	–	3,250,000	424,245	766,923	41,309,612
Total gains (loss) recorded in profit or loss	631,081	2,501,125	166,407	–	–	–	3,298,613
Total gains recorded in equity	(443,944)	(954,514)	178,881	2,832,882	(189,261)	302,813	(1,726,857)
Purchases	11,198,664	12,596,977	7,170,766	500,000	346,227	16,824	31,829,458
Sales	(8,410,871)	(14,124,455)	(3,351,003)	(500,000)	–	–	(26,386,329)
Reclassification from held-to-maturity	5,957,046	–	–	–	–	–	5,957,046
At September 30, 2013	$ 19,140,830	$ 26,678,723	$ 4,165,051	$ 6,082,882	$ 581,211	$ 1,086,560	$ 57,735,257

There were no Level 3 financial liabilities during the period ended September 30, 2013.

26. Acquisitions and Amalgamations

Bermuda Commercial Bank Limited

Effective October 1, 2012, BNL I Limited, a wholly owned subsidiary of Somers, amalgamated with BCB with owners of BCB's shares receiving one share of Somers for every share of BCB owned, resulting in BCB becoming a wholly owned subsidiary of Somers. Each right to purchase a BCB share that was outstanding and exercisable as of October 1, 2012, whether or not vested, was assumed in full by Somers by converting such right into an option to purchase an equal number of Somers shares upon the same terms and conditions as were in effect immediately prior to October 1, 2012, including the vesting schedule and terms of exercise.

Assets Acquired and Liabilities Assumed

The fair values of the identifiable assets and liabilities of BCB as at the date of acquisition were:

	Fair Value Recognised on Acquisition
Assets	
Cash, money market funds and term deposits	$ 226,914,057
Derivative financial instruments	5,442,168
Financial investments	256,763,047
Loans and advances to customers	34,158,768
Investment in an associate	18,327,628
Accounts receivable	12,179,820
Prepayments and other assets	4,784,024
Property and equipment	3,433,039
Goodwill and other intangible assets	10,006,104
	572,008,655
Liabilities	
Customer deposits	457,535,357
Customer drafts payable	591,887
Derivative financial instruments	4,541,914
Other liabilities	2,169,723
Interest payable	2,413,707
	467,252,588
Total identifiable net assets at fair value	$ 104,756,067

At acquisition date, the fair value of accounts receivable was $12,179,820. The gross amount of accounts receivable was $12,324,970. It is expected that the full amount of the fair value can be collected.

Private & Commercial Finance Group plc

Effective November 1, 2012, Somers was deemed to have acquired control of PCFG. PCFG was founded in 1993 and provides auto and other asset financing to clients across the UK. At that date, Somers held 19.92% of the outstanding shares in PCFG and, through its interest in BCB, acquired $7,387,816 of 6% convertible notes of PCFG which, if converted, would represent 59.23% interest in PCFG thus resulting in Somers holding a controlling interest in PCFG.

Assets Acquired and Liabilities Assumed

The fair values of the identifiable assets and liabilities of PCFG as at the date of acquisition were:

	Fair Value Recognised on Acquisition
Assets	
Cash, money market funds and term deposits	$ 6,074
Loans and advances to customers	119,742,884
Prepayments and other assets	3,354,344
Property and equipment	250,933
Goodwill and other intangible assets	1,052,918
Deferred tax assets	4,319,886
	128,727,039
Liabilities	
Derivative financial instruments	(525,217)
Other liabilities	(1,231,057)
Interest bearing loans and borrowings	(120,630,498)
	(122,386,772)
Total identifiable net assets acquired at fair value	$ 6,340,267
Non-controlling interest (80.08%)	(5,077,315)
Purchase consideration transferred	$ 1,262,952

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

Waverton Investment Management Limited

Effective August 2, 2013, Somers, through its wholly owned interest in Waverton Luxembourg, acquired 62.50% of the outstanding shares of BNL UK Limited (the holding company for Waverton). Transaction costs of the acquisition were $451,910.

Assets Acquired and Liabilities Assumed

The fair values of the identifiable assets and liabilities of Waverton as at the date of acquisition were:

	Fair Value Recognised on Acquisition
Assets	
Cash, money market funds and term deposits	$ 35,257,138
Financial investments	493,911
Prepayments and other assets	16,473,627
Property and equipment	285,009
Goodwill and other intangible assets	35,174,509
Deferred tax assets	430,916
	88,115,110
Liabilities	
Other liabilities	(11,995,110)
Total identifiable net assets at fair value	76,120,000
Non-controlling interest (37.50%)	(28,545,000)
Purchase consideration transferred	$ $47,575,000

West Hamilton Holdings Limited

Effective September 16, 2013, Somers acquired control of WHH through a purchase of 406,500 common shares, which when combined with its interest in BCB's 1,222,949 shares of WHH, resulted in Somers controlling 56.04% of the outstanding shares of WHH.

Assets Acquired and Liabilities Assumed

The fair values of the identifiable assets and liabilities of WHH as at the date of acquisition were:

	Fair Value Recognised on Acquisition
Assets	
Cash, money market funds and term deposits	$ 2,476,310
Financial investments	2,796,408
Prepayments and other assets	279,355
Property and equipment	49,130,501
	54,682,574
Liabilities	
Other liabilities	(952,264)
Interest bearing loans and borrowings	(9,365,598)
	(10,317,862)
Total identifiable net assets at fair value	44,364,712
Goodwill arising on acquisition	(3,832,753)
Fair value of existing interest held by BCB	(18,591,903)
Non-controlling interest (43.96%)	(19,501,056)
Purchase consideration transferred	$ 2,439,000

From the date of acquisition, WHH has contributed $1,921,457 of revenue and $1,883,252 to net income before tax of the Group. If the combination had taken place at the beginning of the year, revenue would have been $3,710,388 and the net income before tax for the Group would have been $2,511,540.

As a result of the increase in ownership and the control of WHH acquired, Somers reclassified its interest in WHH from an investment in an associate to a subsidiary whose financial statements are fully consolidated. As at the acquisition date, $3,832,753, representing the excess of the Company's share of the net fair value of the identifiable assets and liabilities of $44,364,712 over the cost of the total investment of $40,531,959, was reported under other operating income in the consolidated statement of income.

27. Subsequent Events

On November 29, 2013, the Company announced an offering to acquire the entire issued and to be issued ordinary share capital of Westhouse for £0.01 per share in cash. The offer was valid until January 14, 2014 and resulted in the Company acquiring an additional 5,588,447 shares of Westhouse. This resulted in the Company controlling 63.1% of the outstanding share capital. In addition, Somers has agreed to underwrite a $5.58 million (£3.45 million) equity fundraising. Of this amount, Westhouse's management have agreed to invest $485,640 (£300,000) and a further $242,820 (£150,000) will be made available to other employees. It is anticipated that post-completion, the Company will own between 78% and 88% of the outstanding shares of Westhouse.

Effective November 21, 2013, the Board of Directors resolved to pay a final dividend for the year ended September 30, 2013 in the amount of $0.20 per share to shareholders of record at January 15, 2014, payable on January 20, 2014.

On December 20, 2013, BNL Investments (UK) Limited, an indirect subsidiary of Somers, entered into a £10 million facility (the "Facility") with Butterfield Bank UK Limited. The Facility is for a period of five years and carries a fixed rate of interest of 5.5%. The Facility is repayable in equal blended (principal plus interest) quarterly payments of £579,000, amortised over five years.

Notes

COMPANY INFORMATION

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