



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

SHAREHOLDERS' FUNDS

US\$353.6

MILLION

ASSETS UNDER MANAGEMENT
DIRECTLY MANAGING OVER

US\$410.3

MILLION

ASSETS UNDER MANAGEMENT
INDIRECTLY MANAGING OVER

US\$17.4

BILLION

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

WHY SOMERS LIMITED?



Somers aims to identify attractive long-term investments in the financial services sector which drives total shareholder return.

SOMERS' OBJECTIVE IS:

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

SOMERS OFFERS SHAREHOLDERS:

- A high conviction portfolio focused on the financial services sector
- Extensive knowledge and expertise

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

- Opportunity to currently buy Somers shares on the market at a discount to NAV
- We apply progressive themes, like technological disruption, in our selection process to identify companies that are adapting well to change, and those that may be vulnerable.

FINANCE SECTOR:

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

SOMERS' INVESTMENT MANAGER:

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

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COMPANY INFORMATION



FINANCIAL CALENDAR

Year End

September 30

Annual General Meeting

February 4, 2020

Half Year

March 31

Dividends Payable

January and July



NATURE OF THE COMPANY

Somers Limited is a Bermuda exempted company incorporated with limited liability whose shares are traded on the Bermuda Stock Exchange. The business of Somers consists of investing the funds of its shareholders in accordance with its investment objective and policy, with the aim of generating a return for shareholders with an acceptable level of risk. Somers has a low level of gearing, with the aim of enhancing returns to shareholders.

Somers has contracted with an external investment manager, ICM Limited (the “Investment Manager” or “ICM”) to manage its investments. Somers has a board of non-executive directors who oversee and monitor the activities of the Investment Manager and the other service providers and ensures that the investment policy is adhered to.

Somers’ shares are traded on the Bermuda Stock Exchange.

FORWARD-LOOKING STATEMENTS

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

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

CHAIRMAN'S STATEMENT



2019 has been a busy year for Somers and despite macro-economic factors such as Brexit and the resultant negative impact on foreign exchange movements, I am pleased to be able to report that 2019 was another strong year for our investee companies. Investments such as Resimac Group Limited ("Resimac") and PCF

Group plc ("PCF") have all reported strong earnings in 2019 including positive statements about future growth and future opportunities.

The key development during the year was the announcement in February 2019 that Somers had entered into an agreement, subject to regulatory and Governmental approvals, to sell Bermuda Commercial Bank Limited ("BCB") to Permanent Capital Holdings Limited. As at the date of writing we still await the necessary approvals from both the Bermuda Monetary Authority and the Bermuda Government. Whilst the delay is frustrating, we remain positive that the transaction will complete and thereby release significant capital to enable Somers to reduce its debt and to make investments in new and existing businesses.

Whilst the underlying financial performance of many of our investments continues to be strong, foreign currency movements in Sterling (principally driven by Brexit) and the Australian Dollar, which reduced in value due to the weakening global economy, have adversely impacted the valuation of several of our larger investments. A significant portion of our assets are denominated in Sterling and the Australian Dollar, which weakened against the US Dollar by 5.7% and 6.6% respectively. However, since the year end Sterling in particular has

risen against the US Dollar by over 8%. As a result of the adverse foreign currency movements, Somers recorded a loss for the year of \$9.7 million. Somers' net asset value ("NAV") per share decreased to \$17.10.

During 2019, there was an above average level of asset realisations in our investment portfolio. We completed on the sales of our holdings in Merrion Capital Limited, Stockdale Securities Limited and Street Capital Group Limited, which provided Somers with capital to continue to invest in both existing and new investments. Somers invested £5.3 million as part of a PCF fundraising in February 2019 and further invested in MJ Hudson Group Limited ("MJH") to part fund two acquisitions. At the end of the year we made a significant investment of A\$13.3 million in Thorn Group Limited as part of a rights issue to settle certain outstanding legal issues and to capitalise the company moving forward. Post the year end, MJH successfully listed on the AIM.

During the year the level of borrowings at Somers has increased. Somers entered into a new loan facility to fund the investment in PCF in February (part of the facility was repaid post the year-end). However, given the quality, diverse nature and size of Somers' asset base an external gearing level of 12.1% remains relatively low and within the Company's risk tolerance. Whilst the Company's focus remains on delivering strong returns for our shareholders, we recognise that the Global Economy is facing numerous challenges and as such we will look to repay the Company's related party debt and reduce bank debt as a result of the sale of BCB. We are currently fully invested, and as our capital grows and our investments generate surplus cash which can be distributed to Somers in the form of dividends, we will continue to look to increase the portfolio where the strategic and financial case is strong.

Somers' share price continues to trade at a significant discount to its NAV. This is despite continued strong

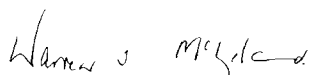
We remain cautious going into 2020, but are comforted by the fact that even in such uncertain times our investments continue to show growth and produce strong financial results.

performance in the underlying investments and an attractive dividend yield of greater than 3%. The Board continues to believe that Somers' share price does not fairly reflect the underlying value of the Company. As such we have continued to buy back shares, and during the year acquired 15,953 shares at an average price of \$15.05 per share. The majority of these shares were cancelled prior to year-end.

The Board has resolved to pay a final dividend per share of \$0.30 (2018: \$0.29). The total dividend payment for the year was \$0.51 a share, an increase of \$0.01 per share compared to 2018.

At Somers' AGM in February, Duncan Saville stepped down from the Board. Whilst he remains intimately involved in the Company through his role as Chairman of ICM Limited, the Company's investment adviser, I would like to thank Duncan for his involvement over the last six years.

Interest rates globally remain at historically low levels with over \$15 trillion of sovereign bonds trading at negative yields. Global growth in 2019 has been weakening and there have been a number of geo-political events such as the US and China trade war, Brexit and the protests in Hong Kong which have impacted global markets. As such we remain cautious going into 2020 but are comforted by the fact that even in such uncertain times our investments continue to show growth and produce strong financial results. Whilst we may be entering the end stages of the current economic cycle we believe our investments are well placed and expect to be able to take advantage of opportunities that might arise in the coming year.



Warren McLeland

Chairman

13 December 2019



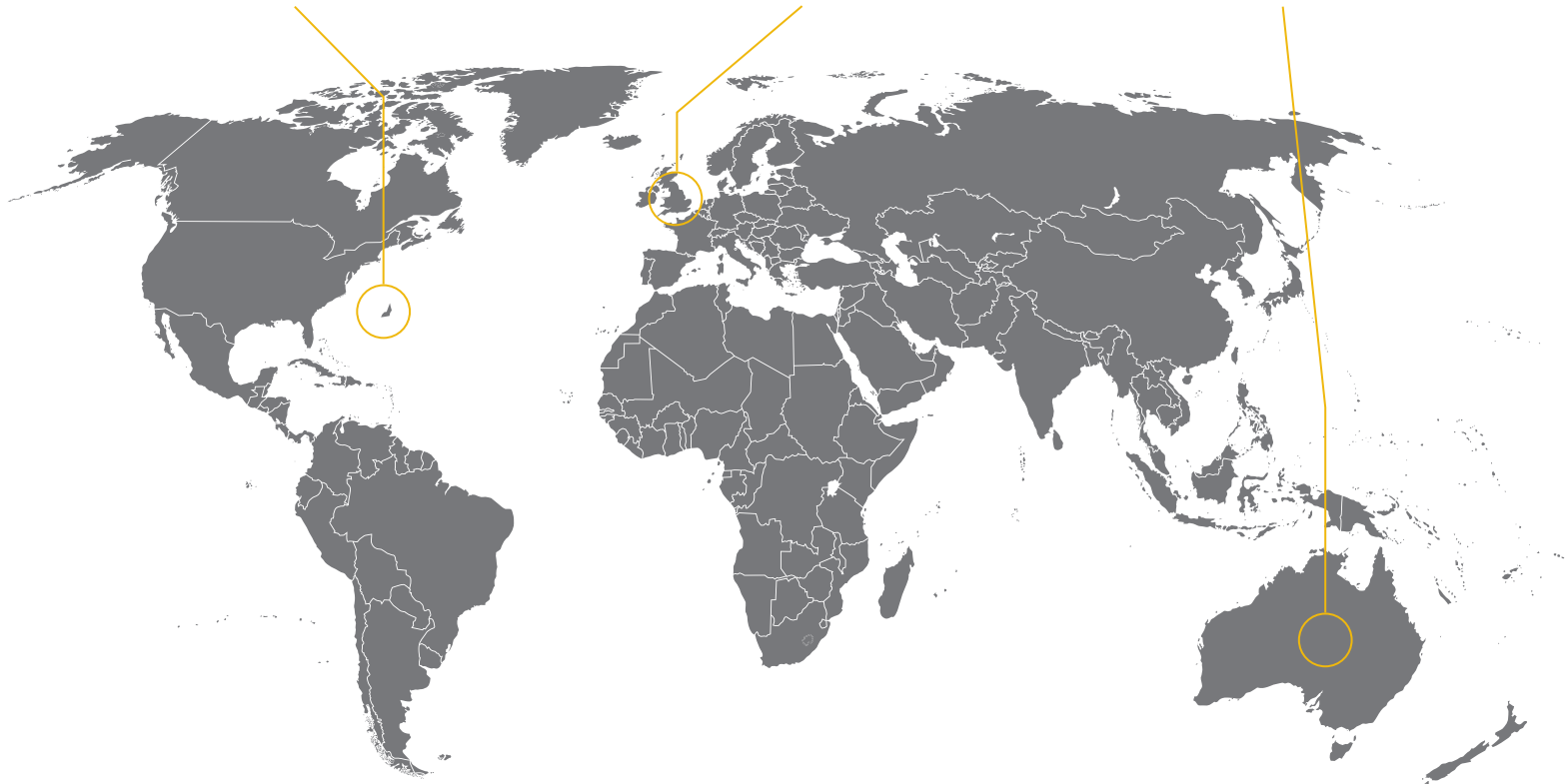
GEOGRAPHICAL INVESTMENT EXPOSURE

(% of Total Investments)

BERMUDA	
Fair Value	\$109.9m
% Total Investments	26.8%

UNITED KINGDOM	
Fair Value	\$116.5m
% Total Investments	28.4%

AUSTRALIA	
Fair Value	\$170.2m
% Total Investments	41.5%











Our investments have strong fundamentals and growth strategies that should provide positive results in 2020.

CORPORATE STRUCTURE

Investment holdings as at December 13, 2019

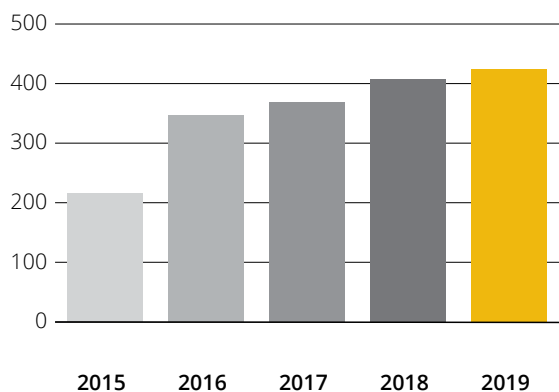


BANKING / ASSET FINANCING			ASSET MANAGEMENT
			
100.0%	62.7%	62.5%	62.5%
Bermuda Commercial Bank Limited	PCF Group plc	Resimac Group Limited	Waverton Investment Management Limited
Banking	Banking	Non-bank Lender	Wealth Management
Licensed bank in Bermuda with total assets of US\$490 million	A London Stock Exchange listed bank	Australian and New Zealand mortgage securitisation business	UK Private wealth management business
Focus on commercial banking and private banking / wealth management	Focus on retail and business banking	Loan portfolio in excess of A\$13.4 billion	Assets under Management of £6.3 billion
PROPERTY	BROKERAGE SERVICES	FINANCIAL SERVICES	LEGAL SERVICES
			
57.1%	36.2%	26.5%	12.2%
West Hamilton Holdings Limited	AK Jensen	Thorn Group Limited	MJ Hudson
Property Investment	Brokerage	Financial Services	Law Firm
Bermuda Property Holding and Management company	UK brokerage organisation which offers Prime Brokerage, DMA, and technology services	Australian financial services organisation offering consumer and commercial options for leasing products and financing solutions	UK Specialist legal services to the Alternative Asset Management industry

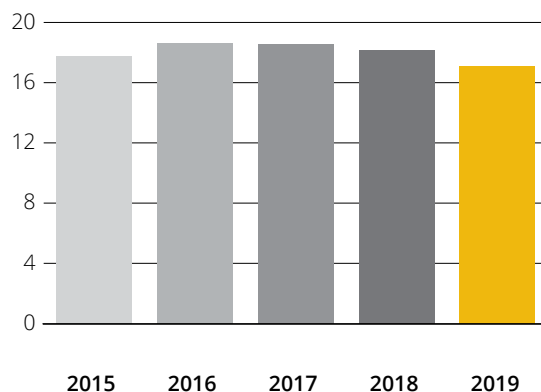
MANAGED BY 

FINANCIAL HIGHLIGHTS

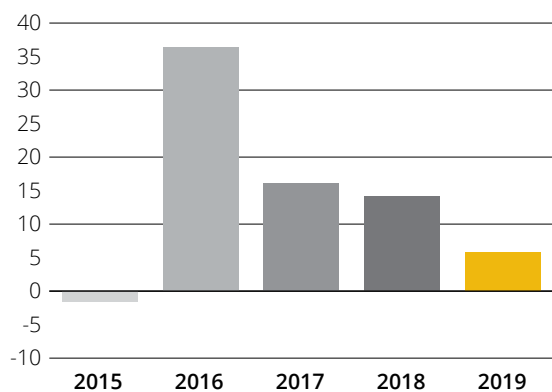
TOTAL ASSETS – USD Million



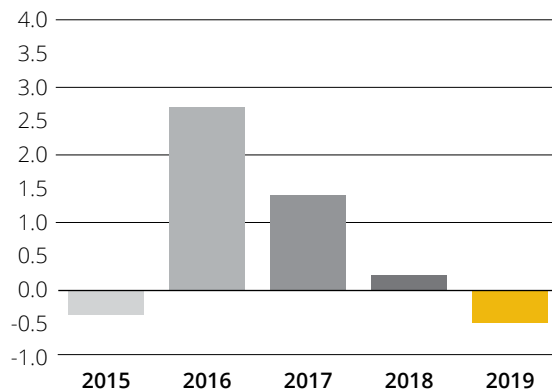
NAV per Common Share (diluted) – USD



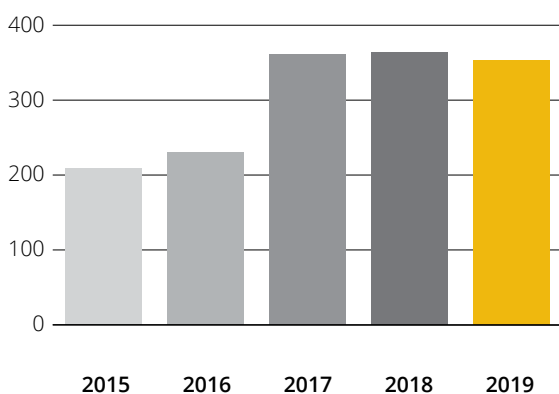
NET INCOME excluding Foreign Exchange – USD Million
September 2014 to September 2018



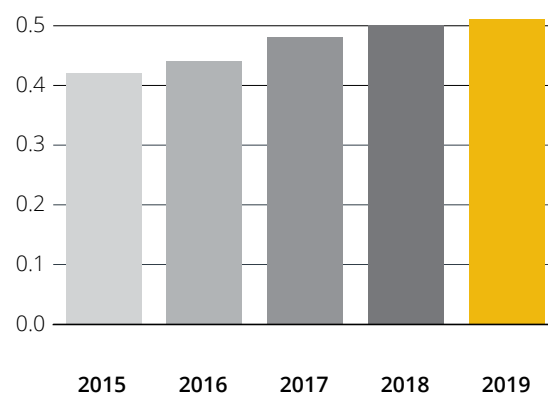
EARNINGS per Share (diluted) – USD
September 2014 to September 2018



TOTAL EQUITY – USD Million

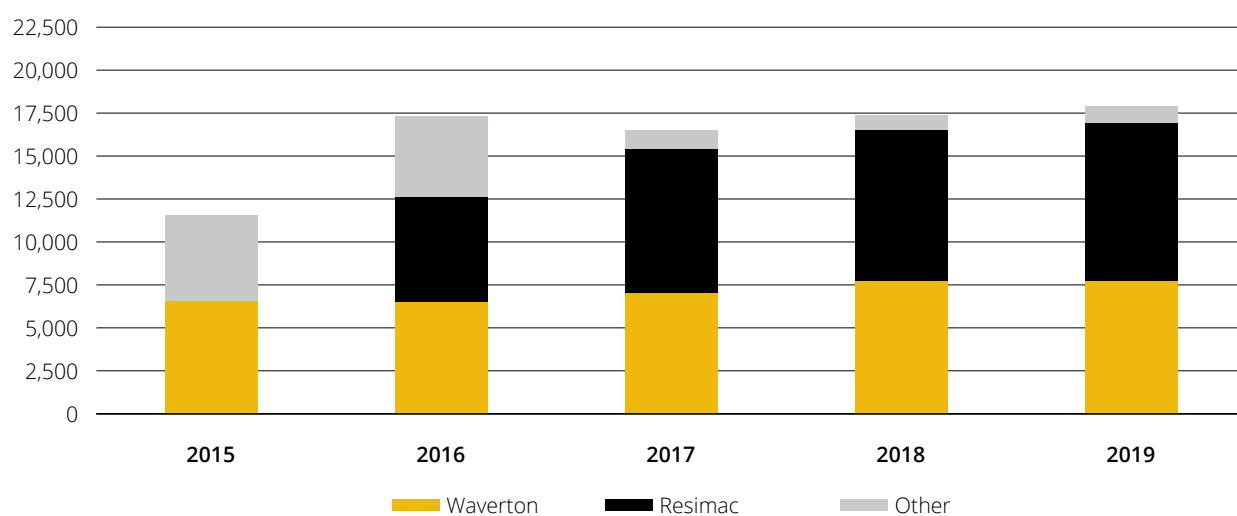


DIVIDEND per Common Share (diluted) – USD



Year ended September 30, 2019	2019	2018
NAV per Share	\$17.10	\$18.15
Share Price	\$15.00	\$16.00
Discount to NAV	12.30%	11.86%
Shares in Issuance (excluding shares held in treasury)	20.67m	20.06m
Total return per ordinary share	(3.05%)	0.51%
Total return per ordinary share excluding foreign exchange	1.11%	3.19%
Ordinary dividend per share	51.0c	50.0c
Cash from shares issued	\$9.62m	\$9.15m
Total assets	\$423.13m	\$407.34m

SOMERS GROUP AuM – Subsidiaries (US\$m)



FINANCIAL HIGHLIGHTS (continued)

KEY HIGHLIGHTS

2018

OCTOBER 2018

- Completion of sale of Merrion Capital

DECEMBER 2018

- US\$3 million investment in AKJ Crypto

2019

FEBRUARY 2019

- Investment of £5.25 million as part of PCF's £10 million fundraising
- Announcement of sale of Bermuda Commercial Bank (awaiting Regulatory and Governmental approval)

APRIL 2019

- Completion of sale of Stockdale Securities Limited

JUNE 2019

- AK Jensen Group awarded Best Hedge Fund Platform for fourth successive year at the 2019 HFM European Services Awards
- Investment in MJ Hudson Group to part fund two acquisitions

AUGUST 2019

- Completion of sale of investment in Street Capital Group
- Resimac announces record AuM of over A\$13 billion
- Resimac settles A\$1 billion RMBS transaction

SEPTEMBER 2019

- Somers agrees to part underwrite the A\$38.7 million Thorn Group rights issue
- Waverton reports a record AuM of £6.3 billion

Somers investee companies reported strong results in 2019, enabling Somers to invest in new and existing opportunities

ABOUT THE COMPANY



HIGHLIGHTS

2019 was a positive year for our investments with strong financial performances.

This year has been dominated by geo-political events which have had knock on effects on interest rates, foreign exchange movements and stock market volatility. We are optimistic about the future as our investments are well placed to withstand an uncertain economic environment.

We completed 2019 with US\$17.8 billion AuM and total assets for the year of \$410.3 million, and maintained an attractive dividend yield of 3%.

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FINANCIAL REVIEW

Somers' financial highlights for the year ended September 30, 2019, are set out on page 8 and the results for the year are set out in the attached accounts.

2019 was another volatile year for the global economy and this impacted Somers' NAV both through negative currency movements and a reduction in a number of our valuations. Despite positive financial performances at many of the Company's investee companies, particularly Resimac and PCF, the Company's net asset value decreased due to weaknesses in Sterling and the Australian Dollar. The result was a \$9.7 million loss for the year. This compares with net income of \$4.2 million in 2018. Loss per share was \$0.48 (2018: earnings per share of \$0.21). While disappointing, the 2019 loss was reversed in the post year end period to the date of this review following gains in Sterling, and valuation increases at Resimac and PCF. Following the payment to shareholders of \$0.50 of dividends in 2019, NAV per share ended the year lower at \$17.10 (2018: \$18.15). The 2019 loss resulted in an annualised total return on shareholders' equity (including dividends) of -3.0%. Adjusting out FX losses would have resulted in a positive return of 1.1%.

INCOME

Gains on Investments

Somers recorded a \$4.3 million gain on its investment portfolio for 2019 (2018: \$10.9 million). This gain comprised of realised and unrealised gains of \$1.0 million and \$3.3 million respectively (2018: \$1.8 and \$9.1 million respectively). Investment gains and losses result from changes in the valuations of the Company's investments. The 2019 gain was driven principally by valuation increases at Resimac, MJ Hudson and West Hamilton. Resimac's gain followed a 19% increase in their principally funded loan book and MJ Hudson's revenue has continued to grow strongly, while West Hamilton's valuation was increased following a change in the fair value of their property assets. Offsetting this, were valuation decreases at BCB and Waverton and PCF's share price also reduced over the year. Somers increased the discount on BCB's book value from 10% last year to 15% to align BCB's carrying valuation to its expected sales price, while the valuation of Waverton was decreased due to increased regulatory

and compliance costs relating to the introduction of MiFID II which reduced Waverton's earnings. Despite a strong financial performance by PCF in 2019 its share price reduced over the year due to the uncertainty in the UK over the impact of Brexit. Subsequent to year end, as at the date of this review, most of PCF's 2019 share price decrease has reversed.

Net Interest Income

Interest income totalled \$0.4 million (2018: \$0.3 million), with \$0.3 million (2018: \$0.1 million) generated from convertible loan notes and \$0.1 million (2018: \$0.2 million) generated from lending to portfolio companies. Somers earns interest income from loans it provides to its portfolio companies and its holding of convertible debt securities. With Somers' lending portfolio remaining at modest levels, interest income remains correspondingly low.

Interest expense was \$2.9 million in 2019 compared to \$1.0 million a year earlier. With interest rates remaining at similar levels to the prior year, the increased expense resulted almost entirely from an increase in average borrowing levels. The new borrowings were used to fund a number of investment opportunities and if, as expected, Somers uses a portion of the proceeds from the sale of BCB to reduce its debt then we would anticipate a corresponding decrease in interest expense in 2020.

Dividend Income

Somers received distributions of \$7.5 million during the year compared to \$7.6 in 2018. Of the dividends received, \$4.3 million was received from Resimac and \$2.4 million was received from Waverton, both of whom are generating positive levels of earnings and cash flow.

Foreign Exchange Movements

Net foreign exchange losses were \$15.6 million for the year (2018: loss of \$9.9 million). \$170 million of Somers' net assets are denominated in Australian Dollars and a further \$83 million are denominated in Sterling, and during the year these currencies depreciated against the US Dollar by 6.6% and 5.7% respectively. These losses were primarily unrealised. Currency risk is an integral consideration when making investments into non-US Dollar denominated assets and the Investment Manager

monitors currency movements on an ongoing basis. Foreign currency policy is discussed with the Board of Directors on a regular basis and asset allocation or currency risk strategies may be altered as a result. There is no regular hedging of foreign currency as the Company is a long term investor and currency fluctuations are expected to equal out over time, and indeed in the period since year end, Sterling has increased by 8% and the Australian Dollar by 2%. The Company may however engage in currency hedging to limit Somers' exposure to currency fluctuations and while the Company did execute a limited hedging program last year, it did not engage in currency hedging throughout 2019 and there were no open currency hedges at year end.

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

EXPENSES

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

Investment management fees are based on a fixed percentage of portfolio assets and with the average portfolio size remaining at similar levels to 2018 the investment management fees at \$2.0 million (2018: \$2.1 million) also remained at a similar level to 2018. As with the prior year, no performance management fee was accrued for 2019. Somers pays a performance fee on an annual basis upon the achievement of a cumulative hurdle rate of return based on shareholders' equity. The hurdle rate was not achieved in 2019 or 2018.

Excluding foreign exchange and investment management fees, the remaining expenses, totalling \$1.4 million, showed a reduction from the \$1.6 million recorded last year with the reduction attributable to non-recurring loan arrangement fees in 2018.

ASSETS

Total assets ended the year at \$423.1 million from \$407.3 million a year earlier. This increase in Somers' balance sheet resulted primarily from valuation gains on the Resimac holding and loan-funded acquisitions including Thorn Group, PCF, AK Jensen and MJ Hudson.

Financial Investments

The investment portfolio was \$410.3 million at year end (2018: \$403.0 million) with equity investments (\$397.3 million) accounting for 96.8% of this total. The remaining 3.2% (\$13.0 million) consisted of convertible loan notes and other financial investments.

Within investments, Resimac at \$157.9 million (2018: \$129.7 million), BCB at \$82.9 million (2018: \$94.9 million), Waverton at \$68.8 million (2018: \$77.0 million) and PCF at \$43.5 million (2018: \$58.6 million) together represent 86.1% of total investments. It is anticipated that this concentration will continue to reduce as new capital flows, an increased but limited level of leverage and net positive cash flows from existing investments allow for new investment opportunities. A table setting out the Company's core investments is provided on page 30, and individual company details are provided in the Summary of Core Investments section of this report.

Total investment purchases in 2019 were \$34.7 million (2018: \$50.6 million) and total 2019 disposals were \$13.6 million (2018: \$6.5 million). Somers is a mid to long term investor with a strategy of supporting and growing its core investments. The Company is building a portfolio of financial services companies and the trading of investments within this portfolio is generally kept to a minimum. The investment activity in 2019 was funded primarily from shareholder loans, with the majority shareholders providing \$21.7 million of new loan facilities during the year. The following investments were made during the year:

- Investment of \$14.4 million in Thorn Group. Additional investments shortly after year end brought Somers' holding to 26.5%;
- Investment of £5.25 million in PCF as part of their 2019 fund raising;
- Acquisition of £2.5 million MJ Hudson convertible bonds to support their acquisition activity; and
- Investment of \$3.0 million in AKJ Tokens issued by the AK Jensen group.

FINANCIAL REVIEW (continued)

Loans and Receivables

As part of its investment strategy, Somers will occasionally provide lending facilities to companies within its investment portfolio. These facilities are typically used by the companies for growth or investment purposes and at September 30, 2019, such loan balances were \$1.5 million, a similar level to the prior year (2018: \$1.7 million).

BORROWINGS

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

Somers' borrowings increased to \$67.9 million at September 30, 2019, from \$41.5 million a year earlier. This equates to a gearing level of 19.2% (2018: 11.4%). Borrowings consisted of bank loans of \$42.7 million (2018: \$37.1 million), and non-bank loans of \$25.2 million (2018: \$4.4 million). The bank loans consisted of a £30.3 million loan from The Bank of N.T. Butterfield &

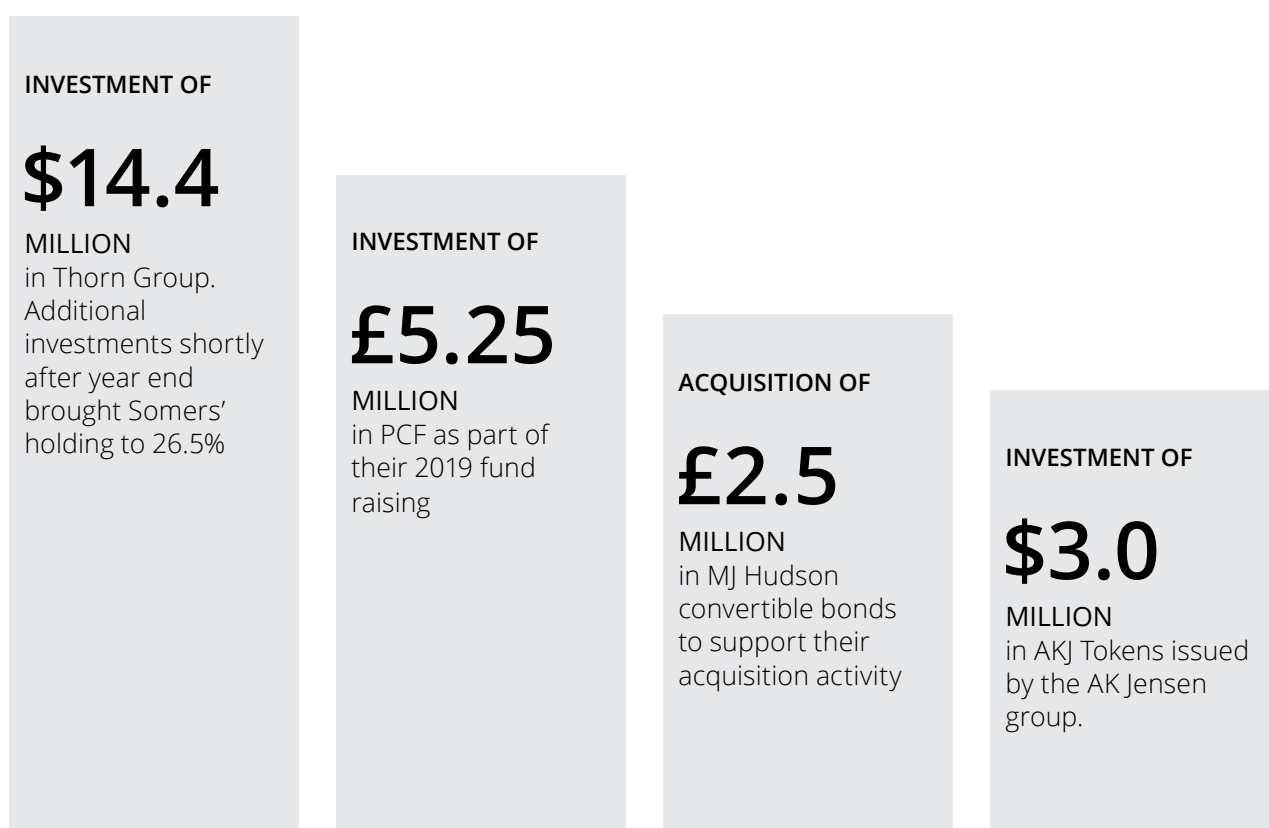
Son Limited and a \$5.5 million loan from BCB. The non-bank loans were provided by UIL Limited and Permanent Investments Limited, two major shareholders of Somers.

The increased bank loan facilities were utilised to participate in the PCF fundraising in February 2019 and the additional shareholder loans were utilised primarily to fund investment activity.

SHAREHOLDERS' EQUITY

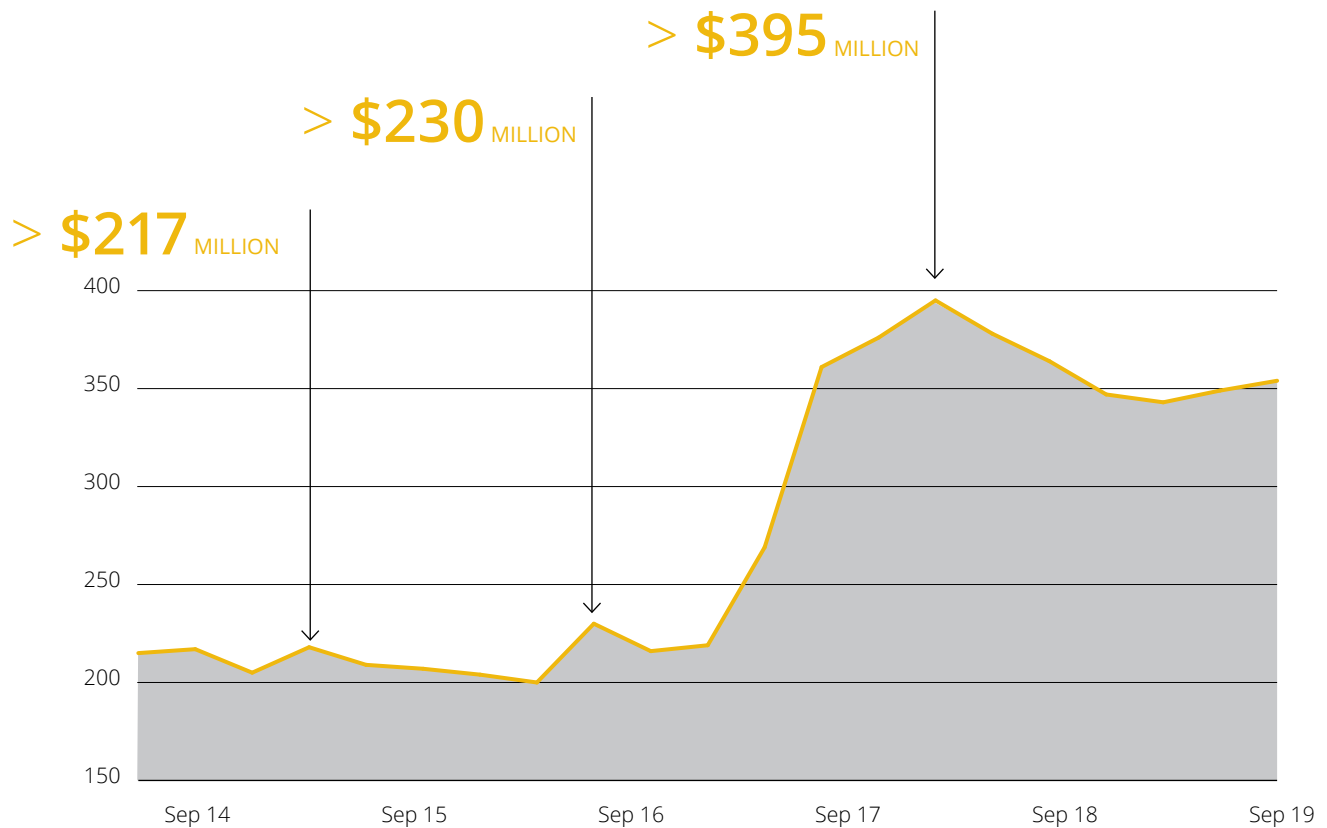
Shareholders' equity decreased to \$353.6 million at September 30, 2019 from \$364.1 million a year ago due to the FX led losses recorded during 2019. During the year, shareholders invested \$9.6 million of the \$10.1 million dividends paid since September 2018 under the dividend reinvestment plan, and Somers bought back 15,953 shares at a cost of \$0.2 million. The net result from these actions was an increase in the number of issued shares to 20,671,621 as at September 30, 2019 (2018: 20,058,261).

Somers' share price ended the year at \$15.00, down from \$16.00 at September 30, 2018 and the closing diluted NAV per share was \$17.10 (2018: \$18.15).



SHAREHOLDERS' FUNDS

SHAREHOLDERS' FUNDS – USD Million



2019 was a mixed year for global markets which impacted Somers both through currency fluctuations and its effect on some of our investment valuations.

INVESTMENT MANAGER'S REPORT



ICM is the Investment Manager of Somers.

OVERVIEW

The underlying performance of our investments has been strong during the financial year, with Resimac and PCF in particular continuing to produce strong financial results. Markets have had

a rollercoaster period with geo-political events whether it be the US/China trade war, Brexit or the protests in Hong Kong impacting both stock markets and foreign currency movements. Despite a significant negative market movement in the last quarter of 2018, global capital markets such as the US rebounded strongly in 2019 on the back of low interest rates and increased liquidity from central banks. Other markets such as Europe and the UK have struggled due to anaemic economic growth.

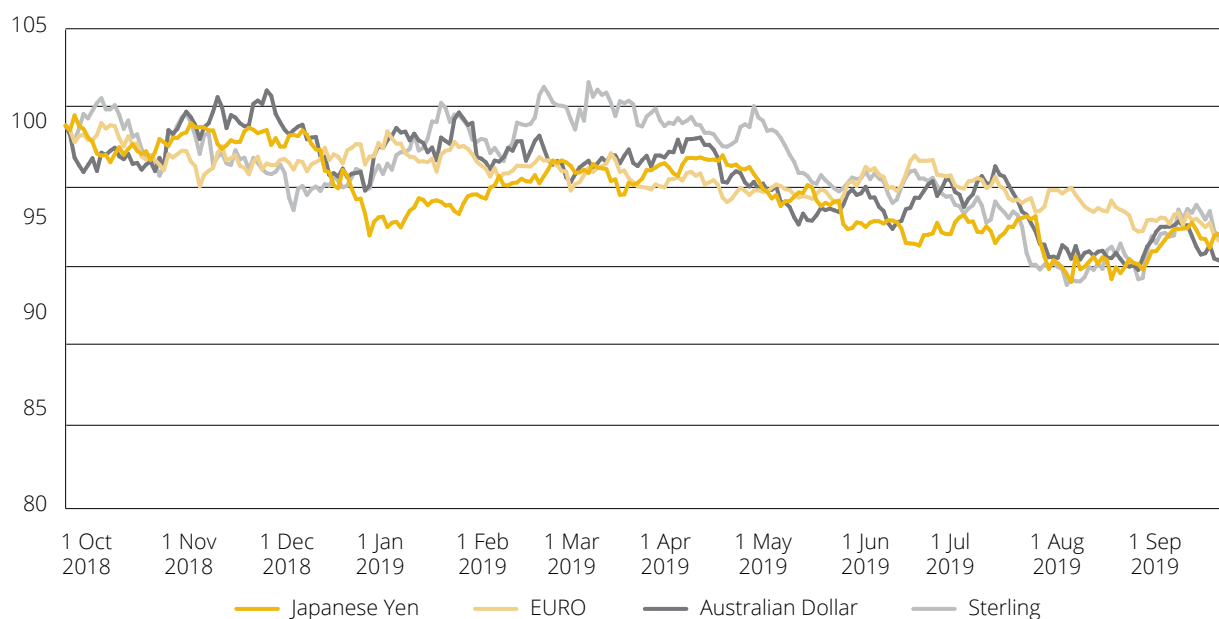
The US Dollar strengthened during the year as a result of uncertainty about global growth, causing investors

to continue to flock to the safety of the US Dollar. The value of Sterling was impacted by the prospect of a no deal Brexit but since the year end and with the reducing likelihood of a no deal Brexit, the value of Sterling has increased by approximately 8%. During the year, Sterling fell by 5.7% against the US Dollar. Somers other significant currency exposure is to the Australian Dollar, principally through its investment in Resimac. With the Australian economy cooling, the Reserve Bank of Australia cutting interest rates and commodity prices remaining weak, the Australia Dollar fell by 6.6% against the US Dollar.

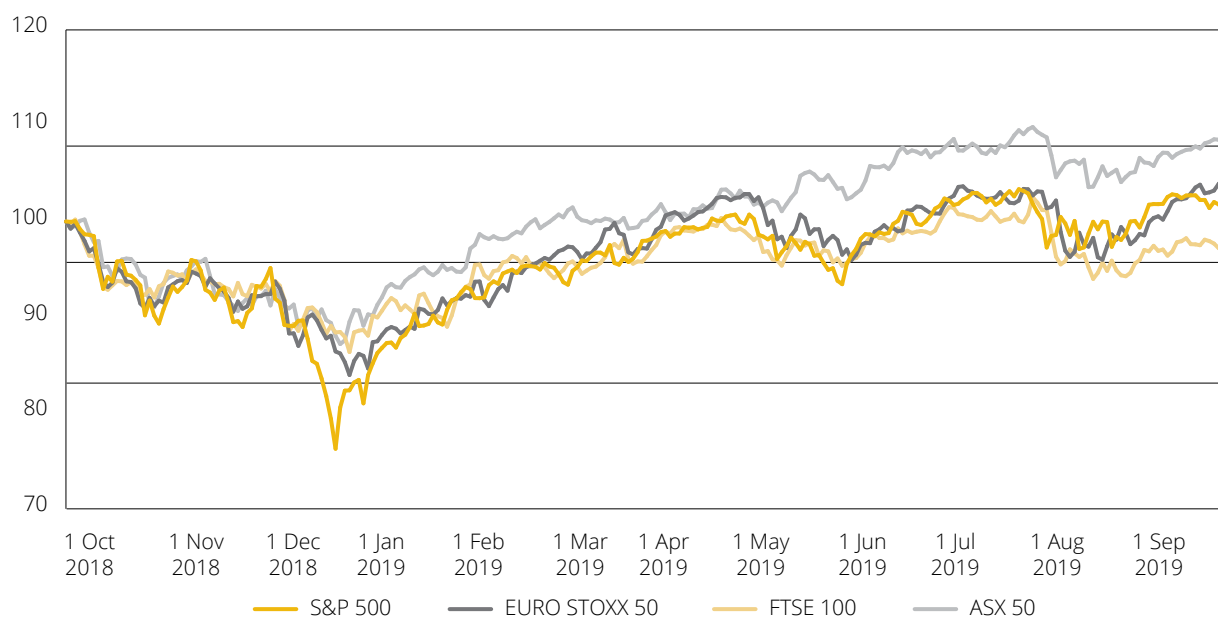
Somers reported a loss of \$9.7 million for the twelve months to September 30, 2019, due to a combination of reduced valuations at BCB, Somers' UK investments, and currency weaknesses as outlined. This was offset by increased valuations at Resimac and West Hamilton. Each of the Company's core investments is reviewed in more detail later in the report.

Over the last 12 months, the US Federal Reserve went from increasing interest rates with the expectation that they would rise further, to taking the decision to cut interest rates twice in 2019. A significant amount of sovereign bonds across the globe now carry negative

CURRENCY MOVEMENTS VS US DOLLAR – October 2018 to September 2019



INDICES MOVEMENTS – October 2018 to September 2019



yields, and central banks are again providing additional liquidity to the market. The future movements of currencies and interest rates continue to factor heavily in investment decisions that are made. Somers does not currently hedge its investments, although ICM continually evaluates this risk. There will be a continued period of uncertainty into 2020, until the US/China trade war is resolved either partially or fully and there is a resolution to Brexit. In addition, the build up to the US general election in November 2020 will certainly start to impact investing strategies. All of these issues are likely to lead to continued uncertainty which is not a positive for markets.

The year to September 30, 2019 contained a number of corporate transactions including the completion of the sale of Somers' holding in Merrion Capital, the sale of Stockdale Securities and the sale of Street Capital Group. The one significant acquisition during the year was a further investment of £5.25 million in PCF as part of their fund raising in February 2019. Post the year end Somers invested A\$6.1 million as part of the Thorn Group rights issues, thereby increasing the Company's holding to 26.5% of Thorn.

Somers also made several other smaller investments during the year including £2.5 million in MJH to part fund two acquisitions. Post the year end, MJ Hudson successfully listed on the AIM. In addition, during the year Somers invested \$3.0 million in AKJ Tokens issued by AKJ Crypto, a wholly owned AK Jensen subsidiary, which is focused on the creation of a trading platform for funds investing in digital assets.

Somers' shares continue to trade at a significant discount to its NAV. The share price as at September 30, 2019 was \$15.00 which is a discount of 12.3% to the year-end diluted NAV of \$17.10. The significant discount is one of the reasons Somers continues to buy back shares, and during the year the Company bought back 15,953 shares for a total cost of \$0.2 million.

CORE INVESTMENTS

Somers has a small number of concentrated investments which are essentially focused on the financial services sector with almost 95% of the portfolio in this sector. Within geographic allocations, Australia accounts for 41.5% of the portfolio (2018: 32.9%), Bermuda accounts for 26.8% of the portfolio (2018: 28.6%), while the UK is 28.4% (2018: 36.1%).

INVESTMENT MANAGER'S REPORT (continued)

As at September 30, 2019, the eight largest investments accounted for 97.9% of the portfolio (2018: 97.0%).



Resimac is Somers' largest investment, accounting for 38.5% of Somers' portfolio (2018: 32.2%). Resimac is a non-bank residential mortgage lender and multi-channel distribution business specialising in prime and specialist lending. It operates in targeted market segments and asset classes in Australia and New Zealand. Its shares are listed on the Australian Securities Exchange and Somers owns approximately 62.5% of Resimac, with the balance owned by institutional and retail investors.

The company generated net profit after tax for the year ended June 30, 2019 of A\$31.1 million. Total revenue increased by 21% to A\$468.8 million and net interest income increased by 15% to A\$117.9 million. Total mortgage settlement flows across Resimac's combined distribution channels (i.e. both principally funded and non-principally funded) remained strong at A\$4.1 billion (2018: A\$4.3 billion). As at June 30, 2019, principally funded loans and advances to customers increased by 19% to A\$10.2 billion and the non-principally funded portfolio was A\$3.2 billion giving total AuM of A\$13.4 billion. Resimac issued a number of securitisations during the year.

Resimac continues to benefit from its merger with Homeloans in 2016. After a decline in values in the Australian housing market over the last 12 – 18 months, particularly Sydney and Melbourne, values have flattened and this has had a positive impact on the demand for Resimac's product. Demand for residential mortgages from the non-bank sector continues to grow in popularity in part due to Australia's Royal Commission's investigation into the financial services sector and negative findings in the banking sector. Resimac's unique position as a non-bank lender is attractive to customers, with many seeing the company as an alternative to Australia's major banks. Resimac's recently released trading update is a clear sign that the strong volume growth in Australia continues to grow in both the specialist and prime segments of the residential mortgages market.

With the relatively illiquid nature of Resimac's shares, Somers' investment in Resimac has been valued on a peer comparison basis using an EV/PAT valuation methodology. Following the company's continued strong performance in 2019, Somers investment in Resimac has increased to A\$233.9 million (2018: A\$179.5 million). More information on Resimac can be found on page 31.



BCB is one of Bermuda's four licensed banks and accounts for 20.2% of the portfolio at the year-end (2018: 23.5%). On February 5, 2019, it was announced that Somers had agreed to sell BCB to Permanent Capital Holdings Limited. The transaction requires Government and Regulatory Approval and at the time of this annual report, those approvals remain outstanding. We believe that the approvals will be forthcoming, and that the transaction will complete.

The Board of Somers in conjunction with the BCB Board determined that after almost 9 years of ownership it would be an opportune time to look for a new owner of BCB. A detailed process was run over a number of months to identify a suitable buyer of BCB which concluded with the agreement to sell to Permanent Capital Holdings Limited. The decision to sell was taken because ICM has identified a number of other opportunities that are attractive for Somers and BCB requires a new owner with a new vision to move it to the next stage of its development.

BCB continued to focus in 2019 on various transformation projects in order to improve its processes and procedures. The bank reported a loss of \$8.3 million for the year due to lower than anticipated gains on its investment portfolio, one-off costs associated with transformation projects, regulations limiting assets that BCB can invest in and falling yields following the two cuts in US interest rates during the year. However, at the year end BCB continued to have a strong and liquid balance sheet with a capital ratio of 34.7%. Despite significant one-off costs, BCB continues to elicit good cost management and with the capacity to deploy further assets into capital efficient and high yielding assets because of its strong capital ratio. Total assets as at September 30, 2019 were \$460.5 million and 32% of the bank's balance sheet is in cash and or cash equivalents.

To align its valuation to the agreed sale price, Somers increased the discount to 15% of BCB's book value from 10% as at the end of 2018. The valuation of BCB therefore decreased to \$82.9 million in 2019 from \$94.9 million a year earlier. More information on BCB can be found on page 31.



Waverton's AuM was approximately £6.3 billion as at September 30, 2019 (2018: £5.9 billion). The increase in AuM during the year was driven by £200 million of net new assets. Waverton's recent investment performance continues to be excellent, and against its peers Waverton ranks in the top quartile over the last twelve months and three year periods respectively. The company is in the process of recruiting a new CEO following the departure of the predecessor in July 2019.

For the year ended September 30, 2019, Waverton reported revenue of £39.9 million (2018: £37.5 million) and a profit before tax of £6.3 million (2018: £7.6 million).

Somers' investment in Waverton has been valued based on peer comparisons using an EV/EBITDA valuation methodology. Over the course of the year, Waverton's maintainable EBITDA was £7.8 million (2018: £8.2 million). The decrease in maintainable EBITDA was primarily driven by sluggish UK equity markets due to Brexit uncertainty and increasing regulatory and compliance costs relating to the introduction of MiFID II at the start of 2018 and an increase in headcount. There was also a slight reduction in Waverton's peer multiple from 12.3x in 2018 to 12.0x. The net result was a decrease in the value of Somers' investment in Waverton to £56.0 million (2018: £59.0 million). More information on Waverton can be found on page 32.



PCF continued to grow in 2019 as a result of an increase in their loan book, diversifying their products by offering bridge finance products and successfully integrating its acquisition of Azule Limited. Whilst expenses continued to increase in 2019 as PCF develops its infrastructure to ensure it has the regulatory and risk framework in

place for a bank of its size, it has been able to continue to grow its retail deposits, enter into a Tier 2 facility with the British Business Bank, and importantly continue to write loan business that falls within its lending criteria without having to reduce its risk parameters.

For the year ended September 30, 2019, PCF reported profit before tax of £8.0 million (2018: £5.2 million). New business originations (for 'own portfolio') increased by 50% to £222 million with 74% of the originations being in the company's prime credit grades. The lending portfolio grew to approximately £339 million compared to £219 million as at September 30, 2018, an increase of 55%. The portfolio has continued to increase rapidly, and the company is ahead of the guidance it gave at the time of the banking license, and expects to reach a portfolio of £350 million at least 6 months ahead of its targeted date of September 2020. The deposit base has increased from £191 million to £267 million as at September 30, 2019.

Its acquisition of Azule Limited, a UK market leader in the provision of specialist funding and leasing services to the broadcast and media industry, to date has been a success.

As at September 30, 2019 Somers direct investment in PCF was valued at \$43.5 million (BCB's holding was valued at \$6.7 million). PCF's share price decreased during the year from 38p as at September 30, 2018 to 26p as at September 30, 2019. Somers has agreed as part of its sale of BCB that it will acquire the 21 million PCF shares owned by BCB. More information on PCF can be found on page 32.



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

It was a quiet year for West Hamilton with no new property developments, but continued strong occupancy of its assets, the Belvedere Building, Belvedere Residences and its car park facility. The Belvedere Residences is fully occupied and post the year end leases on 4 apartments were extended for a further 3 years. The car park facility remains 100% occupied with a long waiting list, and the

INVESTMENT MANAGER'S REPORT (continued)

Belvedere Building is approximately 80% occupied. During the year the largest tenant in the Belvedere Building did not renew its lease, but due to the pre-eminent position of the West Hamilton assets a new tenant was quickly found to fill the majority of the vacant space. This is positive given the stagnant Bermuda commercial property market.

For the year ended September 30, 2019, West Hamilton reported revenue of \$3.2 million (2018: \$3.1 million). Shareholders' equity was \$34.8 million (2018: \$43.8 million restated) and the book value per share (for 2019 West Hamilton moved to value its asset on a fair value basis) was \$11.96. Somers' investment in West Hamilton has also been valued using the fair value of West Hamilton's identifiable assets and as such Somers' investment in West Hamilton is valued at \$19.8 million as at September 30, 2019. More information on West Hamilton can be found on page 33.

MJ HUDSON

MJ Hudson is a financial services infrastructure platform business. Its focus is to capitalise on the shift in the asset management industry from mainstream investments to alternative investments. It was founded in 2010 as a law firm for the alternative asset management and investment industry and today combines an international corporate law firm with investment advisory, business outsourcing and data and analytics.

The growth in alternative AuM continues to materially outpace that of traditional assets. As the sector grows, so does the infrastructure required to support it. This provides a strong background for MJ Hudson's multi-service offering. Additional macro trends of increased outsourcing, increasing regulatory requirements and the importance of ESG investing are set to benefit MJ Hudson moving forward. Revenue at MJ Hudson has grown organically at approximately 36% CAGR over the past three years, and whilst this will likely slow going forward, the company should benefit from increasing margins driven by some of its recent acquisitions and significant infrastructure including technology investment. Post year end, MJ Hudson completed the process of listing its shares on AIM which will enable it to repay debt and fund future acquisitions.

During the year, Somers invested a further £2.5 million in MJ Hudson to part fund the acquisition of two businesses,

a data analytics business and an ESG consulting and reporting business based in the Netherlands. Somers has now invested a total of £6.8 million in MJ Hudson for a fully diluted interest of 12.2% in MJ Hudson.

For the year ended June 30, 2019, MJ Hudson reported net revenue of £16.7 million (2018: £14.0 million) and adjusted EBITDA of £3.0 million (2018: £1.2 million). Somers values its investment in MJ Hudson at £9.6 million. More information on MJ Hudson can be found on page 33.



Thorn Group is an Australian asset financing company whose shares are listed on the ASX. Thorn has two distinct divisions, Radio Rentals which provides leasing services to the consumer and Thorn Equipment Finance ("TEF") which provides equipment financing to small and medium sized businesses ("SMEs"). Radio Rentals provides TVs, PCs, and furniture either on a Rent or Rent to Buy basis via 65 Radio Rentals stores. TEF leases business equipment via white label partners and brokers to SMEs and is funded by a warehouse facility and mezzanine debt.

Thorn is an example of an investment opportunity which Somers has analysed, and believes that despite a number of issues over the last 24 months there remains significant value which the market does not fully appreciate, and which may be realised through a number of actions over the next few years. Thorn has faced a class action lawsuit relating to its Radio Rentals division, regulatory action, a restriction on its funding as a result of the adverse publicity relating to the class action, and the suspension of its dividend. However, just prior to the year end Thorn announced that it had settled the class action for A\$25 million and launched a rights issue to raise A\$34.6 million to fund the class action, reduce corporate debt and restructure the business. The company has recently announced the appointment of a new CEO, Peter Lirantzis and a new Board including Warren McLeland as Interim Chairman.

For the six months ended September 30, 2019, Thorn announced revenue of A\$104.9 million, and EBIT before exceptional items of A\$11.2 million, and a loss after exceptional items (including settlement of the class action and its associated costs and costs of its

strategic review) of A\$25.6 million and total equity of A\$148.5 million. As at the year end, Somers investment in Thorn was valued at A\$14.7 million and post the year end Somers increased its investment in Thorn to A\$18.8 million through its underwriting of Thorn's right issue. Somers is now interested in 26.5% of Thorn. More information on Thorn can be found on page 34.



AK Jensen is a hybrid business which provides brokerage and software solutions to its clients as well as providing hedge fund services. AK Jensen provides a hedge fund platform to hedge fund managers enabling them to set up a hedge fund at low cost, trade through AK Jensen's proprietary technology platform and operate under the AK Jensen regulatory framework. This is expected to be particularly attractive to new hedge fund managers who are often unable to incorporate a hedge fund due to the associated costs and regulatory burden. AKJ has set up AKJ Crypto which is a front-to-back, tier-one solution for digital asset hedge fund managers. It is seeking to replicate the success of the traditional hedge fund platform whilst also offering participation in the platform security token, AKJ Token.

Somers acquired a 38% interest in AK Jensen in May 2018 for \$4.0 million. AK Jensen currently has 19 hedge funds operating on its hedge fund platform and has AuM of \$216 million. In early 2019, Somers acquired \$3 million AKJ Tokens to enable AKJ to fully develop the infrastructure and launch AKJ Crypto. AKJ Crypto is now fully operational and 10 hedge funds have signed with 3 fully operational on the platform. The company is looking to complete the first stage of its private token offering in early 2020 with a larger 2nd stage offering in 2021.

For the year ended December 31, 2018, AK Jensen reported revenue of \$9.5 million. Somers values its investment in AK Jensen at \$3.8 million based on peer comparisons using an EV/Revenue multiple and values its investment in AKJ Crypto at \$3.3 million (similar to the original cost of the investment). More information on AK Jensen can be found on page 34.

OTHER INVESTMENTS

Somers has a number of other smaller investments which are a mixture of both unlisted and listed holdings. The total value of these investments as at September 30, 2019, was \$8.5 million (2018: \$12.1 million).

GEARING AND BANK DEBT

Somers' level of bank debt increased during 2019 in order to fund Somers' investment in PCF shares as part of their fundraising in February 2019. However, given the size of Somers' asset base and the nature of its investments, gearing as a percentage still remains reasonable. As at September 30, 2019, gearing stood at 19.2% (2018: 11.4%). This reflects an increase in total debt from \$41.5 million to \$67.9 million together with a decrease in shareholders' equity to \$353.6 million from \$364.1 million. Somers expects to use a portion of the proceeds from the sale of BCB to reduce its debt, and thus the gearing level should decrease in 2020.

The total debt figure as at September 30, 2019, of \$67.9 million, relates primarily to a £30.25 million loan from The Bank of N.T. Butterfield & Son Limited. Post the year end £3.25 million of the facility was repaid by Somers. There is one additional bank facility of \$5.5 million with BCB and \$25.2 million of shareholder debt.

REVENUE RETURNS

The majority of Somers' returns are expected to be capital in nature but we also monitor Somers on a revenue return specific basis. Revenue returns include, but are not limited to, dividend and interest income less operating expenses, finance costs and taxation insofar as they are not allocated to capital. Revenue income was \$2.8 million for the year (2018: \$4.6 million) with the year on year reduction attributable to the increased interest expense on our higher average borrowings. Management fees were \$2.0 million (2018: \$2.1 million) and no performance fee was earned in 2019.

Somers reported a loss for the year of \$9.7 million (2018: profit of \$4.2 million). The resultant loss per share was \$0.48. Somers has declared a final dividend of \$0.30 per share bringing the total dividend for the year to \$0.51 per share.

ICM'S INVESTMENT PHILOSOPHY

ICM is a value investor and generally operates focused portfolios with narrow investment remits. ICM has a number of dedicated research teams who have deep knowledge in their specific sectors, which improves the ability to source and make investments. ICM has approximately \$2.3 billion of assets directly under management and \$17.8 billion indirectly under management.

ICM looks to exploit market and pricing opportunities and concentrates on absolute performance. The investments are not market index driven and ICM is unlikely to participate in either an IPO or an auction unless there is compelling value.

Somers seeks to leverage ICM's investment abilities to both identify and make investments across all parts of the financial services sector, including FinTech and PayTech opportunities. New investments usually offer a mix of compelling value, scalability and optionality at the time of investment. There is no desire to establish a "portfolio of must have investments", rather the investment portfolio comprises a series of bottom up decisions.

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

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

Somers expects investee companies to:

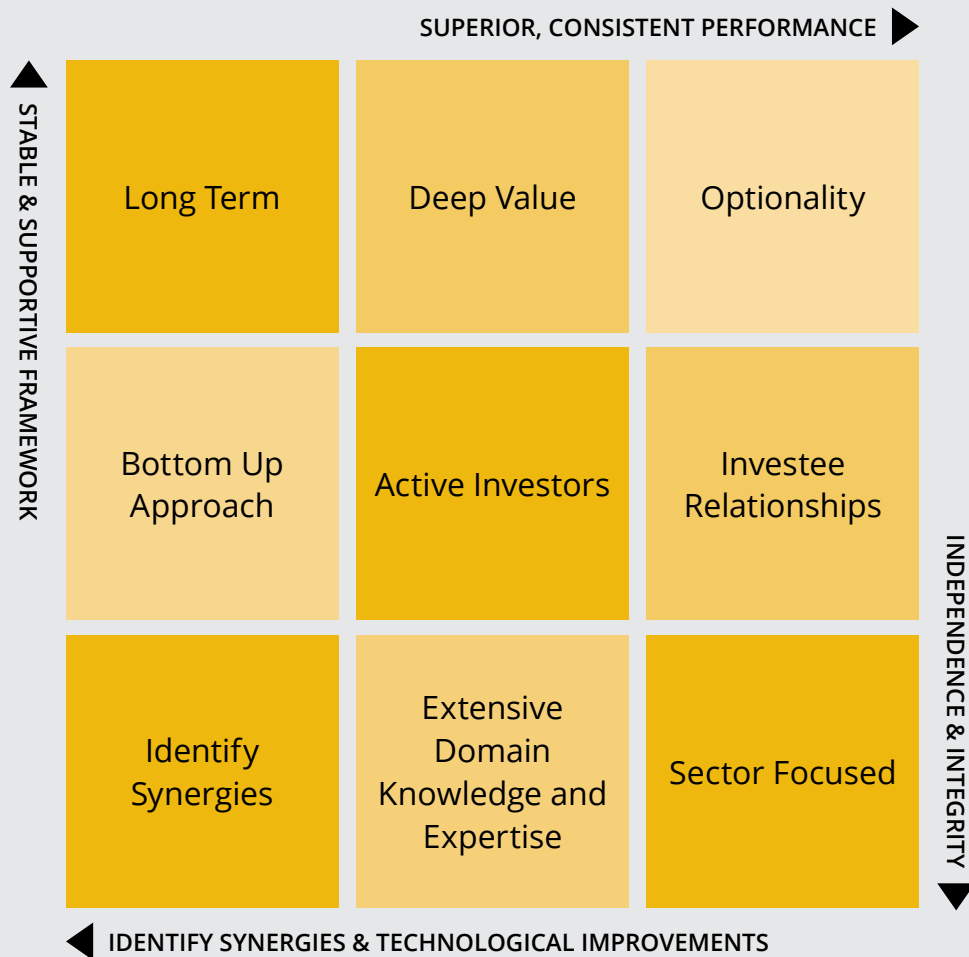
- Remain independent – the business must stand on its own two feet
- Have their own strategic plan and ambition statements – without a road map the business will under achieve
- Be agile and exploit business opportunities created by disruptive technology
- Address and mitigate their business risks
- Have their own DNA and character
- Seek internal and group synergies, but remain independent

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

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

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

We seek out and make compelling investments



MACRO TRENDS AFFECTING FINANCIAL SERVICES

DIGITISATION AND AUTOMATION



- Financial institutions continue to be disrupted by artificial intelligence and automation, both internally (replacement of staff, digitisation of business processes and workflows) and externally (move to robo-advice or underwriting, automated data driven decision making, smart contracts, etc)
- Decreasing customer loyalty, especially in younger demographic groups, promotes the commoditisation of finance and requires new approaches to customer / user experience, with a focus on reducing friction and lead times and improving transparency and instant engagement
- Significant move towards e-commerce and mobile in an environment of demonetisation, smartphone penetration and screen-time of 4+ hours a day in developed nations, emerging nations

FINTECH



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

CYBERSECURITY



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

MONETARY POLICY



- Adapting to and operating in a prolonged period of negative real interest rates, quantitative easing, low inflation and record stock markets, and asset valuations coping with increased global government debt
- Encouraging financial institutions and investors to chase higher yielding assets thereby causing asset prices to increase and heightening risks
- As Central Banks around the world return to quantitative easing to drive growth what is the long term risk to the global economy

REGULATORY AND COMPLIANCE



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

GEO-POLITICAL TENSIONS



- Increased political tensions driven by an increasing level of nationalism e.g. Brexit, and a move away from the recent era of globalisation
- Trade war between the US and China is having a long-term impact on the global economy and international supply chains
- Investment decisions must now take into account global uncertainty, and in particular the impact that geo-political issues has on markets such as foreign exchange

Investment decisions must now take into account global uncertainty, and in particular the impact that geo-political issues has on markets such as foreign exchange.

SOMERS' STRATEGY

SOMERS STRATEGY

Somers is a Bermuda incorporated investment holding company whose shares are listed on the Bermuda Stock Exchange. Somers' core investment markets are Australia, Bermuda and the UK.

Somers' primary objective is to deliver superior shareholder total returns through both capital appreciation and dividend payments, which in turn can be expected to be reflected in the growth of the share price. To achieve this, Somers seeks to invest in undervalued companies within the financial services sector and has the flexibility to make investments in a range of financial related sectors and markets. Somers will identify and invest in opportunities where the underlying value is not reflected in the market or purchase price. The perceived undervaluation may arise from a variety of factors including the limited number of potential buyers, the paucity of lending to smaller financial service companies, and an abundant supply of financial service companies for sale as financial institutions continue to deleverage in response to the global credit crisis. Somers may hold investments in unlisted securities when the attractiveness of the investment justifies the risk and lower liquidity associated with unlisted investments.

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

Somers aims to maximise value for shareholders by holding a reasonably concentrated portfolio of investments and maintaining a prudent level of gearing. These investments can be either in the unlisted or listed

arena. Besides looking for 'bolt-on' opportunities, Somers hopes to extract synergistic benefits from the investee companies on both costs and revenue, as companies are encouraged to collaborate with each other and share resources, such as technology platforms, where appropriate.

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

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

BUSINESS MODEL

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

ICM actively monitors and manages all investments from point of origination. Portfolio companies are managed through a monthly management information

system which is supported by ICM's valuation team, and benefit from Somers' Board oversight. Proposed investments are assessed individually, and all significant new investments require approval from the Somers' Board. Overall investment targets are subject to periodic reviews, and the investment portfolio is reviewed to monitor exposure to specific geographies, economic sectors and asset classes.

BORROWING

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

DIVIDENDS

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

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

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

Somers' primary objective is to deliver superior shareholder total returns through both capital appreciation and dividend payments.

INVESTMENT MANAGER AND TEAM

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

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

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

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

ICM MANAGES SOME

\$2.3 BILLION

DIRECTLY AND HAS INDIRECT INVOLVEMENT IN OVER \$17.8 BILLION IN A RANGE OF MANDATES.

ICM HAS OVER 65 STAFF BASED IN OFFICES IN BERMUDA, CAPE TOWN, DUBLIN, HONG KONG, LONDON, SINGAPORE, SYDNEY, VANCOUVER AND WELLINGTON.



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



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



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



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



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

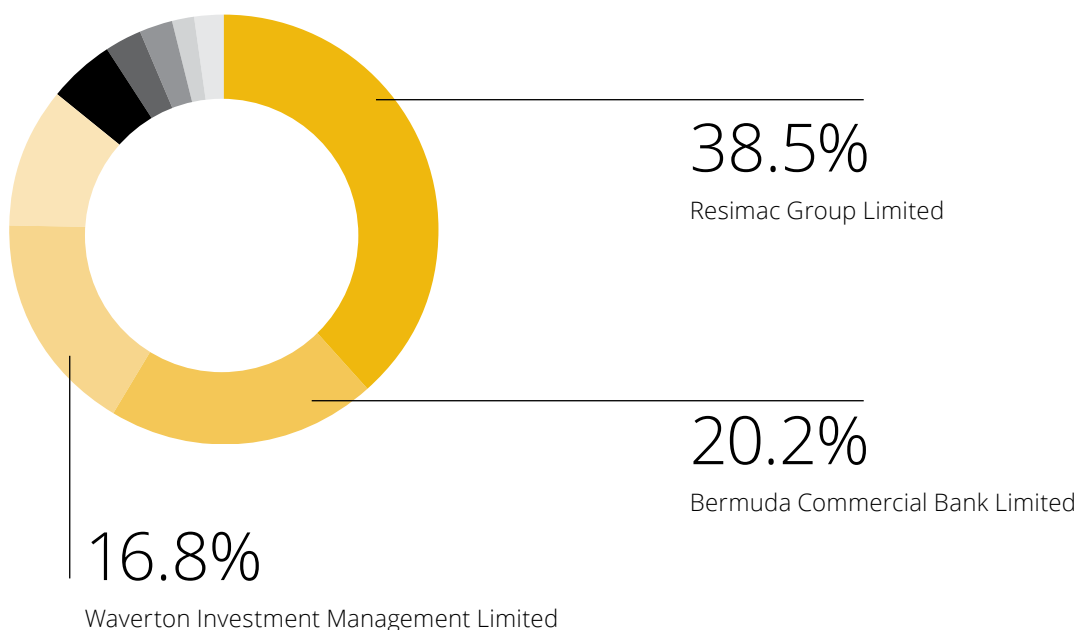


Stephanie Saville joined ICM in 2018 as an Equity Analyst, based in Sydney, Australia. She has over five years' investment experience, predominantly in public equity markets. Prior to joining ICM, Stephanie was a financial analyst at London based Odey Asset Management. Within ICM she specialises in financials, pharma & special situations. Stephanie graduated with a Bachelor of Commerce from Bond University, and a Master of Applied Finance from The University of Queensland in 2013. She is a CFA Charterholder.

SUMMARY OF CORE INVESTMENTS

CORE INVESTMENTS

Somers' investments are predominantly based in Australia, Bermuda and the UK, with these three jurisdictions together accounting for 96.9% of total investments. In total, the Company's core holdings account for 97.9% of total investments at September 30, 2019.



	Company	Country	Fair Value (\$)	% of Total Investments
1	Resimac Limited	Australia	157,897,260	38.5%
2	Bermuda Commercial Bank Limited	Bermuda	82,875,000	20.2%
3	Waverton Investment Management Limited	UK	68,817,866	16.8%
4	PCF Group plc	UK	43,456,345	10.6%
5	West Hamilton Holdings Limited	Bermuda	19,809,762	4.8%
6	MJH Group Holdings Limited	Jersey	11,768,898	2.9%
7	Thorn Group Limited	Australia	9,943,818	2.4%
8	AK Jensen Group	Bermuda	7,168,885	1.7%
			401,737,833	97.9%
			8,530,593	2.1%
			410,268,426	100.0%

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

**RESIMAC GROUP LIMITED
("RESIMAC")**



www.resimac.com.au

VALUATION
\$157.9 MILLION

Resimac is a residential mortgage lender and multi-channel distribution business specialising in prime and specialist lending. It operates in targeted market segments and asset classes in Australia and New Zealand. Its primary activities are as mortgage manager, mortgage broker and in addition, originating, servicing and securitising mortgage assets. As at June 30, 2019, principally funded loans and advances to customers increased by 19% to A\$10.2 billion and the non-principally funded portfolio was A\$3.2 billion giving total AuM of A\$13.4 billion. Resimac generated a normalised net profit after tax for the year ended June 30, 2019 of A\$31.1 million. Total revenues and other income was A\$468.8 million, a 21% increase from 2018. Net interest income increased by 15% to A\$117.9 million and loan impairment expense remained low at A\$3.0 million. During the year, Resimac issued A\$2.6 billion of term duration funding through four RMBS transactions.

NET PROFIT
AFTER TAX
A\$31.1
MILLION

NET INTEREST
INCOME
A\$117.9
MILLION

**BERMUDA COMMERCIAL BANK LIMITED
("BCB")**



www.bcb.bm

VALUATION
\$82.9 MILLION

BCB is one of Bermuda's four licensed banks and the only bank dedicated solely to the needs of commercial, corporate and high net-worth clients. BCB offers an array of banking solutions, corporate administration, global custody and brokerage, estate planning and trust administration. BCB reported a loss in 2019, mainly as a result of lower than anticipated gains on its investment portfolio and one-off costs associated with a number of transformation projects. The loss for the year was \$8.3 million on revenue of \$15.8 million. Total assets were \$460.5 million and customer deposits were \$352.5 million. As at September 30, 2019, BCB's Tier 1 and total capital ratios were 34.7% and 34.7% respectively, significantly exceeding the prescribed regulatory limits and confirming BCB's strong and liquid balance sheet. During the year Somers agreed to sell BCB subject to regulatory and Government approvals.

TOTAL ASSETS
\$460.5
MILLION

TIER 1 RATIO
34.7%

SUMMARY OF CORE INVESTMENTS (continued)

WAVERTON INVESTMENT MANAGEMENT LIMITED ("WAVERTON")



www.waverton.co.uk

VALUATION

\$68.8 MILLION

Waverton is a London-based specialist investment manager which focuses on discretionary portfolio management for private clients, charities and institutions as well as offering a suite of in-house managed investment funds. Somers, in conjunction with Waverton's management and staff, acquired Waverton from Credit Suisse AG in 2013 for a total cash consideration of £50 million. Waverton reported AuM as at September 30, 2019 of £6.3 billion, an increase of £0.4 billion from the prior year which was driven by net new assets. For the year ended September 30, 2019, Waverton earned revenue of £39.9 million (2018: £37.5 million), EBITDA of £6.6 million (2018: £8.0 million), and operating profit before tax of £6.3 million (2018: £7.6 million). During the year Waverton paid Somers dividends totalling £1.9 million.

REVENUE

£39.9
MILLION

EBITDA

£6.6
MILLION

PCF GROUP PLC ("PCF")



www.pcfbank.co.uk

VALUATION

\$43.5 MILLION

PCF is the AIM-quoted parent of the specialist bank, PCF Bank Limited. PCF was established in 1994 and has two lending divisions: Consumer Finance which provides finance for motor vehicles to consumers; and, Business Finance which provides finance for vehicles, plant and equipment to small and medium sized businesses. During 2017, PCF was granted a deposit taking license by the UK's Prudential Regulatory Authority. Following receipt of the license, PCF commenced accepting retail deposits. As at September 30, 2019 PCF had deposits of £267 million (2018: £191 million). At the time of receiving its banking license PCF targeted a loan portfolio of £350 million by September 2020 but they now expect to reach this target 6-9 months early. For the year ended September 30, 2019, PCF reported net interest income of £21.6 million and profit before tax of £8.0 million, which included increased costs relating to the infrastructure required to operate as a bank in the UK. The return on equity was 12.6% and PCF reported a total loan portfolio of £339 million, an increase of £120 million from the prior year.

PROFIT BEFORE TAX

£8.0
MILLION

TOTAL LOAN PORTFOLIO

£339.0
MILLION

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



www.westhamilton.bm

VALUATION

\$19.8 MILLION

West Hamilton is a Bermuda Stock Exchange listed property investment and management company, with property assets in the west of Hamilton, Bermuda. The Belvedere Residences, West Hamilton's mixed-use building, which was completed in September 2016, remains fully occupied with all commercial space let on long term leases, 7 apartments let on long term leases and two apartments sold, the proceeds of which were used to reduce the company's debt. The car park facility is 100% occupied with a long waiting list. The Belvedere Building is approximately 80% occupied which is positive in an over supplied market. During the year West Hamilton adopted fair value accounting of its assets and for the year ended September 30, 2019, West Hamilton reported strong results with revenue of \$3.2 million and operating income for the year of \$1.7 million. Total assets amounted to \$47.1 million (2018: \$57.1 million restated). Total liabilities were \$12.3 million (2018: \$13.5 million) and net debt was \$11.7 million (2018: \$12.7 million).

REVENUE
\$3.2
MILLION

OPERATING INCOME
\$1.7
MILLION

**MJ HUDSON GROUP LIMITED
("MJ HUDSON")**



www.mjudson.com

VALUATION

\$11.8 MILLION

MJ Hudson is a financial services infrastructure platform business. Its focus is to capitalise on the shift in the asset management industry from mainstream investments to alternative investments. It was founded in 2010 as a law firm for the alternative asset management and investment industry and today combines an international corporate law firm with investment advisory, business outsourcing and data and analytics. For the year ended June 30, 2019, MJ Hudson reported revenue of £16.7 million and adjusted EBITDA of £3.0 million. As the start-up businesses have matured, the margins earned by the company have improved which is reflected in the improved EBITDA margin. During the year the company completed on two acquisitions, a fiduciary business in the Channel Islands and an ESG consulting business based in the Netherlands. The company recently completed an IPO on the AIM market of the London Stock Exchange.

REVENUE
£16.7
MILLION

EBITDA
£3.0
MILLION

SUMMARY OF CORE INVESTMENTS (continued)

THORN GROUP LIMITED ("THORN")



www.thorn.com.au

VALUATION

\$9.9 MILLION

Thorn is an Australian asset financing company whose shares are listed on the ASX. Thorn has two distinct divisions, Radio Rentals which provides leasing services to the consumer and Thorn Equipment Finance ("TEF") which provides equipment financing to small and medium sized businesses ("SMEs"). Radio Rentals provides TVs, PCs, furniture either on a Rent or Rent to Buy basis through 65 Radio Rentals stores. TEF leases business equipment via white label partners and brokers to SMEs and is funded by a warehouse facility and mezzanine debt. For the six months ended September 30, 2019, Thorn reported revenue of A\$104.9 million and EBIT before exceptional items of A\$11.2 million and a loss after exceptional items (including the settlement of a class action and its associated costs and the costs of a strategic review) of A\$25.6 million and total equity of A\$148.5 million.

REVENUE

A\$221.9
MILLION

TOTAL EQUITY

A\$148.5
MILLION

AK JENSEN GROUP LIMITED ("AKJ")



www.akj.com

VALUATION

\$7.2 MILLION
(INCLUDING \$3.3 MILLION FOR AKJ CRYPTO)

AKJ is a hybrid business which provides brokerage and software solutions to its clients as well as providing hedge fund services. AKJ provides a hedge fund platform to hedge fund managers enabling them to set up a hedge fund at low cost, trade through AKJ's proprietary technology platform, and operate under the AKJ regulatory framework. This is particularly attractive to new hedge fund managers who are often unable to incorporate a hedge fund due to the associated costs and regulatory burden. During the year, Somers acquired \$3 million of AKJ tokens issued by AKJ Crypto, AKJ's subsidiary which is a front-to-back, tier-one solution for digital asset hedge fund managers. For the year ended December 31, 2018, AKJ reported revenue of \$9.5 million. AK Jensen currently has 19 hedge funds operating on its hedge fund platform and has AuM of \$216 million. In early 2019, Somers acquired \$3 million AKJ Tokens to enable AKJ to fully develop the infrastructure and launch AKJ Crypto. AKJ Crypto is now fully operational and 10 hedge funds have signed with 3 fully operational on the platform. The company is looking to complete the first stage of its private token offering in early 2020 with a larger 2nd stage offering in 2021.

ASSETS UNDER MANAGEMENT

\$216.0
MILLION

REVENUE

\$9.5
MILLION

DIRECTORS

WARREN MCLELAND



CHAIRMAN

Warren McLeland is a Science and MBA graduate and former stockbroker and investment banker, with over thirty years' experience in domestic and international financial services. Mr McLeland 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 Resimac Group Limited.

PETER DURHAGER



Peter Durhager joined the Somers Board in September 2018. He is a non-executive director of Harrington Re and F&G Re, and he was formerly the President of RenaissanceRe Services Ltd. from March 2004 until December 2014, and the EVP & Chief Administrative Officer of RenaissanceRe Holdings Ltd. from June 2003 until December 2014. Mr Durhager is currently Chairman of Ascendant Group Limited and was formerly the Chairman of America's Cup Bermuda and the Bermuda Community Foundation. He founded and ran a number of financial and telecommunications businesses as well as working in the banking sector. Mr Durhager holds a bachelor's degree in Philosophy from Transylvania University in Lexington, Kentucky.

CHARLES JILLINGS



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

DIRECTORS (continued)

DAVID MORGAN



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

ALASDAIR YOUNIE



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

DIRECTORS AND OFFICERS INTEREST IN SOMERS' SHARE CAPITAL

At September 30, 2019, the Directors of the Company and their related interests had interests in aggregate totalling 152,453 common shares representing approximately 0.7% of Somers' issued share capital.

BOARD RESPONSIBILITIES AND GOVERNANCE

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

ROLE OF THE BOARD

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

The Directors have a duty to take into consideration the likely consequences of any decision in the long term; the need to foster Somers' business relationships with its Investment Manager and advisers; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and, the need to act fairly to all shareholders of the Company. The Directors are responsible for the proper conduct of the Company's affairs by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed. In addition, the Directors are responsible for ensuring that the Company's policies and operations are in the best interests of the Company as a whole, and that the all stakeholders are properly considered.

A schedule of matters reserved for decision by the Board and detailing the responsibilities of the Board has been established. The main responsibilities include: setting the Somers' objectives, policies and standards; considering any major acquisitions or disposals of portfolio companies; ensuring that Somers' obligations to shareholders and others are understood and complied with; approving accounting policies and dividend policy; managing the capital structure including the buy-back policy; setting long term objectives and strategy; assessing and managing risk; reviewing investment performance; monitoring the net borrowing position and consideration of the appropriate use of gearing; undertaking audit committee responsibilities; reviewing

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

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

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

BOARD MEETINGS

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

BOARD RESPONSIBILITIES AND GOVERNANCE (continued)

In the financial year ended September 30, 2019, the Board met each quarter to review the activities of Somers for that period and held a meeting devoted solely to strategic issues. Additional meetings were held to consider limited objectives including the approval of the quarterly results. All Directors received notice of the meetings, the agenda and supporting documents, and were able to comment on the matters to be raised at the proposed meeting. In addition to the formal quarterly, strategy, and ad-hoc meetings, the Board also receives detailed updates from the Investment Manager via update calls.

BOARD CHANGES

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

At the AGM in February 2019, Mr Duncan Saville retired from the Board of Somers. Mr Saville was a member of the Board since 2014 and made a very valuable contribution over that period. Mr Saville will remain actively involved with Somers as Chairman of the Company's investment adviser, ICM Limited.

BOARD COMMITTEES

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

Audit Committee

There is no separate audit committee and the Board as a whole fulfils the function of an audit committee in relation to, amongst other things, monitoring the internal controls and risk management systems of Somers and its service providers, reviewing the financial statements of the Company, monitoring the independence of the external auditor and the effectiveness of the audit

process, and reviewing the findings of the external auditor. The Board considers that given its size (five directors), the size of Somers and the low number of transactions, it would not currently be appropriate to establish a separate audit committee.

Remuneration Committee

The Board as a whole fulfils the function of a remuneration committee in relation to the setting and periodic review of the fees of the Directors and the Chairman. The Board considers that, given the size and nature of the Company, it would not be appropriate to establish a separate remuneration committee.

Nomination Committee

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

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

REGULATORY AND COMPETITIVE ENVIRONMENT

Somers is obliged to comply with Bermuda law, the Listing Rules of the BSX and International Financial Reporting Standards ("IFRS"). Somers is exempt from taxation, except insofar as it is withheld from income received and capital gains taxes in some jurisdictions. Under Bermuda law, Somers may not distribute income or capital reserves by way of a dividend unless, after distribution of the dividend, the Company would be able to pay its liabilities as they become due, and the realisable value of the Company's assets would be greater than the aggregate of its liabilities, its issued share capital, and its share premium account. It is registered with the IRS in the USA under the Foreign Account Tax Compliance Act. The accounting policies of Somers are detailed in note 2 to the financial statements on page 59.

GOING CONCERN AND COMPANY VIABILITY

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as they have a reasonable expectation that Somers has adequate resources to continue in operational existence for the foreseeable future, being taken as 12 months after the signing of the balance sheet. The Board has considered each of Somers' principal risks and uncertainties. The Company has \$54 million of level 1 equity shares in listed companies and also has level 2 and level 3 equity shares in listed companies. All key operations required by Somers are outsourced to third party providers, and alternative providers could be engaged at relatively short notice if necessary. The Directors also considered the revenue forecast for the forthcoming year, expected cash flows from investments, future dividend payments and significant areas of possible liquidity risk, and have satisfied themselves that no material exposures exist.

INVESTMENT MANAGEMENT ARRANGEMENTS

The Investment Manager is ICM, and details of the Investment Management Team are found on pages 28 and 29 of this report. Under an investment adviser agreement dated December 2014, Somers has agreed to pay ICM an annual fee for its management services equal to 0.5% of the gross asset value of Somers' qualifying financial investments, payable quarterly in arrears. The investment management agreement may be terminated

by Somers, by giving ICM not less than six month's written notice of termination, or by ICM giving Somers not less than three months written notice of termination, or such lesser period of notice as Somers and ICM agree.

Included within the terms of the revised investment management agreement is a performance fee payable to ICM if the growth in Somers' shareholders' equity exceeds a hurdle rate equal to the higher of 8% or 4% plus the UK Retail Price Index inflation. The fee arrangement is payable at a rate of 15% on the amount by which the growth in Somers' shareholders' equity exceeds the hurdle rate. The growth in Somers' shareholders' equity did not exceed the hurdle rate in 2019, and therefore no performance fee was payable for the year. The Board continually reviews the policies and performance of the Investment Manager. The Board's philosophy and the Investment Manager's approach are that the portfolio should consist of investments thought attractive irrespective of their inclusion or weighting in any index. Over the long term, the Board expects the combination of Somers' and the Investment Manager's approach to generate a positive return for shareholders. The Board is satisfied with the terms of appointment of ICM.

COMPANY SECRETARY

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

ADMINISTRATION

The provision of accounting and administration services to Somers has been delegated to ICM. ICM's responsibilities include assisting in the day to day management of Somers' business, ensuring the financial risks of the Company are properly managed, and oversight of all financial and Bermuda stock exchange reporting. This role also includes ensuring compliance with the required

BOARD RESPONSIBILITIES AND GOVERNANCE (continued)

standards of good corporate governance. ICM, in conjunction with the Company Secretary, also organises, prepares agendas, and ensures accurate minutes are kept of board and other corporate meetings.

Somers is a Bermuda incorporated investment company with an external investment manager and all Somers' day to day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. Somers has therefore not reported further in respect of the role of the chief executive, executive directors' remuneration, the need for an internal audit function, and nomination of a senior independent director.

INTERNAL AUDIT

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

EXTERNAL AUDITOR AND AUDIT TENURE

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

It is Somers' policy not to seek substantial non-audit services from its auditor, unless they relate to a review of the interim or quarterly reports or reporting on financial information in circulars or prospectuses, as the Board considers the auditor is best placed to provide these services. If the provision of significant non-audit services were to be considered, the Board would consider whether the particular skills of the audit firm made it a suitable supplier of those services and that there was no threat to the objectivity and independence of the audit. No non-audit fees were paid to KPMG for the year ended September 30, 2019 (2018: \$nil).

The partner and manager of the audit team at KPMG presented their audit plan to the Board and subsequently reported on the nature, scope and results of their audit at the meeting when the draft annual financial report was considered. Members of the Board meet in camera with the external auditor at least annually.

The audit plan and timetable were presented by and agreed with KPMG in advance of the financial year end. Items of audit focus were discussed, agreed and given particular attention during the audit process. KPMG reported to the Board on these items, their independence and other matters. This report was considered by the Board and discussed with KPMG and ICM prior to approval of the annual financial report.

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

CUSTODY OF ASSETS

Somers' listed investments are held in custody by JPMorgan and Bermuda Commercial Bank and the Company's unlisted investments are held in custody by Bermuda Commercial Bank. Operational matters with these custodians are carried out on Somers' behalf by ICM.

VALUATION OF UNLISTED INVESTMENTS

The majority of Somers' investment portfolio consists of unlisted investments, and the Board has ultimate responsibility for the valuation of these investments. Please refer to the Overview of the Investment Valuation Process on page 46 for details on Somers' valuation approach for unlisted investments.

SHAREHOLDER RELATIONS

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

In addition, the Board is kept fully apprised of all market commentary on Somers by the Investment Manager and other professional advisers. Through this process the Board seeks to monitor the views of shareholders and ensure that Somers' communication programme is effective.

Members of the Board and the Investment Manager are expected to be available during each Annual General Meeting to answer any questions that attending shareholders may have.

DIRECTORS' INTERESTS

The Directors' interests in the ordinary share capital of Somers are disclosed in the Directors' section on page 35 of this report. The Directors have declared any potential conflicts of interest to Somers. There are no agreements between the Company and its Directors concerning compensation for loss of office. Potential conflicts of interest are reviewed regularly by the Board. The Directors have undertaken to advise the Company Secretary and/or Chairman as soon as they become aware of any potential conflicts of interest.

DIRECTORS' AND OFFICERS' LIABILITY

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

RESPONSIBILITY OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

The Directors have confirmed to the best of their knowledge:

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

RISK MANAGEMENT

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

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

THE BOARD

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

- We seek to achieve this by the:
- Effective and efficient continuity of operations
- Safeguarding of our assets
- Preservation and enhancement of our reputation
- Reliability of internal and external reporting
- Compliance with applicable laws and regulations
- Identifying and managing risks
- Monitoring investee companies

The Board meets four times a year to consider the quarterly risk review report prepared by ICM. This report identifies the risks facing the Company and the likelihood and potential impact of each risk, together with the controls established for mitigation. The Board reviews financial reports, valuation reports and performance metrics. The effectiveness of Somers' system of internal controls, including financial, operational, compliance and risk management systems, is reviewed as part of this quarterly review process and no significant failings or weaknesses occurred during the year ended September 30, 2019, or subsequently up to the date of this annual report.

While the external environment remains challenging and we are seeing a slow-down in economic growth, the Board considers that the Company's risk profile has remained stable during the year. In making this determination, the Board has considered the continuing development of internal controls, risk processes and the composition of the investment portfolio. The Board also considered the macro-economic environment and evolving risks such as global trade friction, currency and cyber security.

ICM LIMITED

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

ICM monitors the operational and regulatory risks in the business and the related risk management controls. ICM also has responsibility for ensuring day to day compliance with the required standards of good corporate governance as well as oversight of all financial, regulatory and stock exchange reporting and management information.

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

RISK APPETITE

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

- The risk appetite statement provides investment guidance under the following headings:
- Investment return and type
- Investment level

- Diversification
- Geographic focus
- Sector expertise
- Compliance and regulation
- Investment expertise

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

PRINCIPAL RISKS

Most of Somers' principal risks are market-related and similar to those of other investment companies which invest globally in various different currencies. The Board carefully considers the Company's principal risks at its quarterly meetings and seeks to mitigate these risks through continual and regular review, policy setting, compliance with and enforcement of contractual obligations and active communication with ICM.

Somers' business model and strategy are not time limited and, as a global investor, are unlikely to be adversely impacted as a direct result of Brexit. The Board have been updated on our investee companies' Brexit readiness plans and those UK investments we do hold in our investment portfolio have limited operations between the UK and the EU. However, as our UK investments are Sterling denominated, any rise or fall in Sterling will lead, respectively, to a rise or fall in Somers' reported NAV.

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

INVESTMENT RISK

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

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

Somers monitors the following significant investment risks pertaining to: foreign currency; concentration; interest rate; leverage; liquidity; geographic and political; acquisition due diligence; disposal; conflict of interest; investee company business; and economic environment.

Many of these factors are outside Somers' control and may affect the level and volatility of securities prices, the amount of distributions received, and the liquidity and value of investments in the portfolio. Somers may be unable to mitigate its exposure to these conditions as efforts to manage its exposure may or may not be effective. In addition, while adverse market conditions provide opportunities to make investments in undervalued companies, such conditions also increase the risk of default or decreased operational performance which would adversely affect the profitability and valuation of these entities, and consequently, the profitability, net asset value and share price of Somers. Please refer to note 17 of the audited financial statements for a more detailed discussion of the above principal risks and uncertainties.

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

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

RISK MANAGEMENT (continued)

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

The Board regularly reviews strategy in relation to a range of issues including the concentration of the portfolio, the allocation of assets between geographic regions and sectors and borrowing levels. Periodically the Board holds a separate meeting devoted to strategy, the most recent one being held in June 2019.

Somers increased its leverage levels during the year, but our overall debt to net assets ratio remains modest at 19.2% as at September 30, 2019. Whilst this leverage should enhance total return where the return on Somers' underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling. The Board reviews the leverage levels at each quarterly Board meeting.

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

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

BUSINESS OPERATIONAL RISK

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

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

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

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

Operational risks arise from all of Somers' activities, and Somers' objective is to manage operational risk so as to balance the limiting of financial losses and damage to its reputation, with achieving its investment objective of generating returns to investors.

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

INTERNAL FINANCIAL AND NON-FINANCIAL CONTROLS

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

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

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

OUTLOOK AND FUTURE TRENDS

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

OVERVIEW OF THE INVESTMENT VALUATION PROCESS

In preparing the Somers' quarterly and annual financial accounts, the most important accounting judgements and estimates relate to the carrying value of our unlisted investments which are stated at fair value. At September 30, 2019, 86% of Somers' investment portfolio consisted of level 3 investments that were valued using inputs that were not based on observable market data. Given the importance of this area to the integrity of our financial reporting, the Board and ICM carefully review the valuation policies and processes and the individual valuation methodologies at each reporting date. However, the valuation of unlisted securities is inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate. As detailed in note 19, small changes to inputs may result in material changes to the carrying value of our investments.

VALUATION PROCESS

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

The concept of fair value is key to the valuation process and is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date" (International Private Equity and Venture Capital ("IPEV") guidelines, December 2018).

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

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

VALUATION METHODOLOGIES

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

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

Earnings Multiples

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

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

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

Discounted Cash Flow

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

Net Assets

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

Recent Investments

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

Please also refer to note 19 of the audited financial statements for more details on Somers' unlisted investments and the valuation methodologies adopted.

FIVE YEAR SUMMARY 2015-2019

(expressed in United States Dollars)

	2019 \$	2018 \$	2017 \$	2016 \$	2015 \$
Income and Expense Items					
Net interest (expense) income	(2,473,832)	(631,388)	(236,441)	384,736	1,081,496
Dividend income	7,451,888	7,588,559	4,147,891	3,399,044	2,587,780
Gains (losses) on investments	4,336,647	10,893,179	15,227,092	34,832,011	(3,129,227)
Other (losses) income	(15,614,561)	(9,912,317)	3,281,818	(4,154,241)	(2,675,088)
Total income	(6,299,858)	7,938,033	22,420,360	34,461,550	(2,135,039)
Total expenses	3,421,285	3,703,016	2,863,038	1,893,335	1,976,456
Net (loss) income before tax	(9,721,143)	4,235,017	19,557,322	32,568,215	(4,111,495)
Income tax expense	-	(51,821)	(130,790)	(278,121)	(19,203)
Net (loss) income	(9,721,143)	4,183,196	19,426,532	32,290,094	(4,130,698)

Balance Sheet

Financial investments	410,268,426	402,973,991	360,969,899	332,038,271	209,864,255
Other assets	12,864,817	4,366,226	7,172,058	14,886,105	6,124,777
Total assets	423,133,243	407,340,217	368,141,957	346,924,376	215,989,032
Total liabilities	69,570,070	43,230,069	6,898,242	116,526,005	6,813,958
Total equity	353,563,173	364,110,148	361,243,715	230,398,371	209,175,074

Per Common Share

NAV per share	17.10	18.15	18.55	18.66	17.74
Share price	15.00	16.00	14.00	13.75	13.00
Dividend paid	0.51	0.50	0.48	0.44	0.42

FINANCIAL STATEMENTS



TOTAL EQUITY AT
30 SEPTEMBER WAS

\$353.6

MILLION
(2018: \$364.1 MILLION)

ASSETS DIRECTLY AND
INDIRECTLY MANAGED

\$17.8

BILLION
(2018: \$18.0 BILLION)

FINAL DIVIDEND
PER SHARE OF

\$0.30

(2018: \$0.29)

IN THIS SECTION:

- 50 Independent Auditor's Report
- 54 Financial Statements
- 59 Notes to Financial Statements

Total dividend payment for 2019 was \$0.51 a share, an increase of \$0.01 per share compared to 2018.

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Somers Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Somers Limited (the "Company"), which comprise the Consolidated Statement of Financial Position as at September 30, 2019, the Consolidated Statements of Income and Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Key audit matters

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

Valuation of Unquoted Financial Investments (US\$ 353.8 million)

As presented in the Significant Accounting Policies in Note 2, and in Notes 3 and 19 to the consolidated financial statements, the Company holds investments in unquoted equity and debt securities at September 30, 2019 with an estimated fair value of US\$ 353.8 million, representing approximately 84% of total assets, where quoted prices do not exist. Such unquoted equity investments and debt securities are carried at their estimated fair values based upon management's judgement using the principles of the International Private Equity and Venture Capital Association ("IPEV") valuation guidelines.

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

The fair values are based upon the market approach which estimates the enterprise value of each investee using a comparable public company multiple of revenues or earnings before interest, tax, depreciation and amortization ("EBITDA"), or using information from recent comparable transactions observable in the marketplace, or the underlying net asset value, or by using the replacement cost/net asset approach.



The risk

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

Our response to the risk

We performed the following key audit procedures:

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

Other information

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)



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

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

Auditor's responsibilities for the audit of the consolidated Financial Statements

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

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

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

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



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

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

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

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
December 13, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

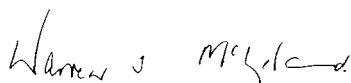
September 30, 2019 (Expressed in United States Dollars)

Notes	2019 \$	2018* \$	
Assets			
16	Cash and cash equivalents	2,909,692	187,917
7	Other assets	8,304,627	2,422,995
16	Interest receivable	147,545	86,102
6, 16	Loans and receivables	1,502,953	1,669,212
3, 16	Financial investments	410,268,426	402,973,991
	Total assets	423,133,243	407,340,217
LIABILITIES			
	Interest payable	295,295	68,029
8, 16	Other liabilities	1,334,166	1,624,095
9, 16	Interest bearing loans and borrowings	67,940,609	41,537,945
	Total liabilities	69,570,070	43,230,069
	NET ASSETS	353,563,173	364,110,148
Equity			
10	Capital stock	2,067	2,006
10	Contributed surplus	304,140,391	294,748,410
10	Treasury shares	(11,595)	-
	Accumulated other comprehensive loss	(382,279)	(258,733)
	Retained earnings	49,814,589	69,618,465
	TOTAL EQUITY	353,563,173	364,110,148

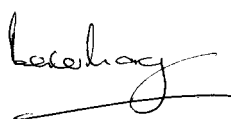
* Restated, refer to note 20

See accompanying notes.

Signed on behalf of the Board:



Warren McLeland
Chairman



David Morgan
Director

CONSOLIDATED STATEMENT OF INCOME

For the Year Ended September 30, 2019 (Expressed in United States Dollars)

Notes	2019 \$	2018 \$
Income		
13, 16 Interest income	448,464	340,674
16 Interest expense	(2,922,296)	(972,062)
Net interest expense	(2,473,832)	(631,388)
16 Dividend income	7,451,888	7,588,559
14, 16 Gains on investments	4,336,647	10,893,179
Other income	6,080	24,381
Impairment losses on loans and receivables	(53,555)	-
TOTAL INCOME	9,267,228	17,874,731
Expenses		
Net foreign exchange losses	15,567,086	9,936,698
16 Investment management fees	1,989,869	2,073,344
16 Legal and professional fees	542,163	522,142
Audit and accounting fees	297,445	311,297
16 Directors' fees	172,500	65,000
16 General and administrative expenses	419,308	731,233
TOTAL EXPENSES	18,988,371	13,639,714
Net (loss)/income before tax	(9,721,143)	4,235,017
15 Income tax expense	-	(51,821)
NET (LOSS)/INCOME	(9,721,143)	4,183,196

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended September 30, 2019 (Expressed in United States Dollars)

	2019 \$	2018 \$
Net (loss)/income for the year	(9,721,143)	4,183,196
OTHER COMPREHENSIVE LOSS		
Exchange differences on translation of foreign operations	(102,411)	(60,867)
Net unrealised gains on available-for-sale financial investments	-	1,485,676
Reclassification of gains on available-for-sale financial investments	-	(1,813,194)
Other comprehensive loss	(102,411)	(388,385)
TOTAL COMPREHENSIVE (LOSS)/INCOME	(9,823,554)	3,794,811

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended September 30, 2019 (Expressed in United States Dollars)

Notes	Capital Stock \$	Contributed Surplus \$	Treasury Stock \$	Other Comprehensive Loss \$	Retained Earnings \$	Total \$
October 1, 2017*	1,948	286,063,186	-	129,652	75,048,929	361,243,715
Net income for the period	-	-	-	-	4,183,196	4,183,196
Other comprehensive loss	-	-	-	(388,385)	-	(388,385)
10 Issue of share capital	61	9,147,191	-	-	-	9,147,252
10 Net purchase of treasury stock	-	-	(461,970)	-	-	(461,970)
10 Cancellation of treasury stock	(3)	(461,967)	461,970	-	-	-
12 Dividends	-	-	-	-	(9,613,660)	(9,613,660)
September 30, 2018	2,006	294,748,410	-	(258,733)	69,618,465	364,110,148
Opening equity adjustment on adoption of IFRS 9	-	-	-	(21,135)	21,135	-
Net loss for the period	-	-	-	-	(9,721,143)	(9,721,143)
Other comprehensive loss	-	-	-	(102,411)	-	(102,411)
10 Issue of share capital	63	9,620,423	-	-	-	9,620,486
10 Net purchase of treasury stock	-	-	(240,039)	-	-	(240,039)
10 Cancellation of treasury stock	(2)	(228,442)	228,444	-	-	-
12 Dividends	-	-	-	-	(10,103,868)	(10,103,868)
September 30, 2019	2,067	304,140,391	(11,595)	(382,279)	49,814,589	353,563,173

* Restated, refer to note 20

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2019 (Expressed in United States Dollars)

	2019 \$	2018 \$
Operating activities		
Net (loss)/income	(9,721,143)	4,183,196
Adjustments to reconcile net (loss)/income to cash flows (used in)/provided by operating activities:		
Gains on investments	(4,336,647)	(10,893,179)
Foreign exchange losses on investments	18,098,983	12,623,884
(Increase)/decrease in interest receivable	(61,443)	125,949
Increase in other assets	(5,881,632)	(782,354)
Increase in interest payable	227,266	68,029
Decrease in other liabilities	(289,929)	(774,147)
Net cash (used in)/provided by operating activities	(1,964,545)	4,551,378
Investing Activities		
Net decrease in loans and receivables	166,259	1,068,260
Proceeds from sale of financial investments	13,559,813	6,474,127
Purchases of financial investments	(34,718,994)	(50,597,308)
Net cash used in investing activities	(20,992,922)	(43,054,921)
Financing Activities		
Net increase in interest bearing loans and borrowings	26,402,663	37,037,945
Net purchase of treasury stock	(240,039)	(461,970)
Dividends paid (excludes dividends satisfied by issue of shares)	(483,382)	(466,408)
Net cash provided by financing activities	25,679,242	36,109,567
Net increase/(decrease) in cash and cash equivalents	2,721,775	(2,393,976)
Cash and cash equivalents, beginning of year	187,917	2,581,893
Cash and cash equivalents, end of year	2,909,692	187,917
Non-cash investing and financing activities:		
Issuance of shares under dividend reinvestment plan	9,620,486	9,147,252

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2019 (Expressed in United States Dollars)

1. DESCRIPTION OF BUSINESS

Somers Limited ("Somers") is a Bermuda exempted investment company listed on the Bermuda Stock Exchange with investments in the financial services sector. Somers is engaged in a single segment of business, focusing on maximising shareholder returns by identifying and investing in companies where the assessed underlying value is not reflected in the market price. The Company's registered office is at 34 Bermudiana Road, Hamilton HM 11, Bermuda.

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

As at September 30, 2019, the significant shareholders (the "Major Shareholders") in the Company, who are all incorporated in Bermuda, and held in aggregate 93.60% (2018: 93.39%) of Somers' issued share capital, are as follows:

- Permanent Investments Limited ("Permanent") holds 46.14% (2018: 46.03%);
- UIL Limited ("UIL") holds 44.35% (2018: 44.25%); and
- Permanent Mutual Limited ("Permanent Mutual") holds 3.11% (2018: 3.11%).

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

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

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

These financial statements were authorised for issue in accordance with a resolution of the directors on December 13, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in United States Dollars, which is the Company's functional and presentational currency. All values are rounded to the nearest dollar, except when otherwise indicated.

Statement of Compliance

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

Presentation of Consolidated Financial Statements

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

Basis of Consolidation

Subsidiaries and associated undertakings held as part of the investment portfolio are carried at fair value through profit or loss and accounted for in accordance with IFRS 9 Financial Instruments: Recognition and Measurement.

Those subsidiaries and associated undertaking that are not held for investment, or which provide services to Somers are consolidated where Somers has control. The consolidated financial statements include the financial statements of its operating subsidiaries; Somers UK (Holdings) Limited, Somers Pte. Ltd and Somers Treasury Pty Ltd. All intercompany balances and transactions are eliminated on consolidation. Details of the subsidiaries and associates are included in notes 4 and 5 to the consolidated financial statements.

Standards and Interpretations Adopted During the Year

IFRS 9 Financial instruments

IFRS 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). The standard eliminates the IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on October 1, 2018. However, the company has chosen to take advantage of the option not to restate comparatives. Therefore, the September 30, 2018 figures are presented under IAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2019 (Expressed in United States Dollars)

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for financial assets and financial liabilities as at October 1, 2018.

Financial assets	IAS 39 classification	IAS 39 measurement	IFRS 9 classification	IFRS 9 measurement
Investments	Designated at FVTPL	400,284,601	FVPTL	400,284,601
Investments	FVTOCI	2,689,390	FVTPL	2,689,390
Loan receivables	Amortised cost	1,669,212	Amortised cost	1,669,212
Other receivables	Amortised cost	2,509,097	Amortised cost	2,509,097
Cash and cash equivalents	Amortised cost	187,917	Amortised cost	187,917
Financial liabilities	IAS 39 classification	IAS 39 measurement	IFRS 9 classification	IFRS 9 measurement
Other payables	Amortised cost	1,692,124	Amortised cost	1,692,124
Loans payable	Amortised cost	41,537,945	Amortised cost	41,537,945

Somers Limited does not believe that the new classification requirements have had a material impact on its accounting for its financial instruments that are managed on a fair value basis. At September 30, 2018 Somers Limited had equity investments classified as available-for-sale US\$2,689,390 and these were reclassified as FVTPL as at October 1, 2018. Therefore, an adjustment to opening retained earnings and accumulated other comprehensive income was made to reclassify accumulated unrealised gains and losses at that date. IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This requires considerable judgement about how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. In Somers Limited the new impairment model is only applicable to financial assets measured at amortised cost. No provision for impairment was considered necessary upon the adoption of IFRS 9.

IFRS 15 Revenue

IFRS 15 had no significant impact on the company's financial statements. Recognition of interest and dividends are now based on IFRS 9 guidance. The company does not have contracts with customers for revenue.

Significant Accounting Judgments, Estimates, and Assumptions

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

Estimates, judgments, and assumptions are continually evaluated, and are based on historical experience, and other factors, including expectations of future events, that

are believed to be reasonable under the circumstances. The estimates, judgments, and assumptions, that have a significant risk of causing material adjustments to the consolidated financial statements within the next financial year, are discussed below:

Fair Value of Financial Instruments

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

The judgments include consideration of liquidity and model inputs such as revenue, EBITDA, estimated future cash flows, multiples of comparable companies, volatility and discount rates. The estimates and judgments used in the valuation of financial instruments are described in more detail in note 19.

Impairment Losses on financial assets held at amortised cost

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

Foreign Currency Translation

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

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement – Policy effective from October 1, 2018

Financial assets

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

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

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

Financial assets at FVTPL

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

Financial assets at amortised cost

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

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

Financial liabilities

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

Classification and subsequent measurement – Policy effective before October 1, 2018

The company classifies its financial assets and liabilities at initial recognition into the following categories in accordance with IAS 39.

Financial assets and financial liabilities at FVTPL

The company classified its investments in debt and equity securities as financial assets or financial liabilities at FVTPL. These financial assets and financial liabilities were designated at FVTPL at inception. Financial assets and financial liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2019 (Expressed in United States Dollars)

designated at FVTPL at inception are those managed, and their performance evaluated on a fair value basis in accordance with the company's investment strategy.

Available-for-Sale Financial Assets

Available-for-sale financial investments include equity investments, debt securities and portfolio funds. Equity investments classified as available-for-sale are those that are not designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Changes in unrealised gains and losses, with the exception of foreign exchange gains and losses, which are recorded in the consolidated statement of income, are recognised directly in equity under other comprehensive income or loss. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is included in the gains or losses on investments in the consolidated statement of income.

Financial assets and financial liabilities at amortised cost

Financial assets at amortised cost are classified as other financial assets. This includes cash and cash equivalents, due from brokers, interest receivable, dividend receivable and other assets. Financial liabilities at amortised cost are classified as other financial liabilities. This includes due to broker, interest payable, dividends payable and accrued expenses and other liabilities.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

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

Financial Liabilities

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

Determination of Fair Value

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

An analysis of fair values of financial instruments and further details as to how they are measured is provided in note 19.

Impairment of Financial Assets

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

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

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

Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

Presentation

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

Measurement of ECLs

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

Recognition of Income

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

Interest Income

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

Dividend Income

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

Expenses

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

Dividends on Common Shares

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

Earnings Per Share

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

Treasury Stock

The Company's own equity acquired by Somers or by any of its subsidiaries (treasury stock) is recognised at cost and deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of the Company's own equity instruments is recognised directly in equity.

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

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

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

- Amendment to the conceptual framework – effective 1 January 2020;
- Definition of material (Amendments to IAS 1 and IAS 8) – effective 1 January 2020;
- Definition of a Business (Amendments to IFRS 3) – effective 1 January 2020;
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) – effective 1 January 2020

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

3. FINANCIAL INVESTMENTS

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

	2019 \$	2018 \$
Financial assets at fair value through profit or loss		
Equity investments	397,280,598	396,374,401
Debt securities	9,660,828	3,910,200
Other financial investments	3,327,000	–
Total	410,268,426	400,284,601
Available-for-sale financial assets		
Equity investments	–	2,689,390
Total	–	2,689,390
Total financial investments	410,268,426	402,973,991

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2019 (Expressed in United States Dollars)

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

	2019 \$	2018 \$
Financial assets at fair value through profit or loss		
Fair value at beginning of year	400,284,601	354,293,164
Purchase of investments	34,718,994	49,685,839
Proceeds from disposal of investments	(13,559,813)	(281,139)
Reclassification from available-for-sale	2,689,390	-
Net fair value movement in the year (including foreign exchange gains and losses)	(13,864,746)	(3,413,263)
Fair value at end of year	410,268,426	400,284,601
Available-for-sale financial assets		
Fair value at beginning of year	2,689,390	6,676,735
Purchase of investments	-	911,469
Proceeds from disposal of investments	-	(6,192,988)
Reclassification to FVTPL	(2,689,390)	-
Net fair value movement in the year (including foreign exchange gains and losses)	-	1,294,174
Fair value at end of year	-	2,689,390
Total financial investments	410,268,426	402,973,991

4. SUBSIDIARY UNDERTAKINGS

The following were consolidated subsidiary undertakings of the Company at September 30, 2019 and September 30, 2018.

	Country of operation, registration and incorporation	Holdings and voting rights %	
		2019	2018
Somers AM Pty Ltd	Australia	100%	100%
Somers Treasury Pty Ltd	Australia	100%	100%
Somers Pte. Ltd	Singapore	100%	100%
Somers UK (Holdings) Limited	United Kingdom	100%	100%

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

Details of these undertakings are as follows:

	Country of registration, incorporation and operations	Number of ordinary shares held	Percentage of ordinary shares held
Resimac Group Limited ("Resimac")	Australia	253,913,527	62.45%
Bermuda Commercial Bank Limited ("BCB")	Bermuda	7,003,318	100.00%
West Hamilton Holdings Limited ("West Hamilton")	Bermuda	1,659,390	57.06%
Waverton Investment Management Limited ("Waverton")	UK	10,750,000	62.50%
PCF Group plc ("PCF")	UK	135,919,157	54.32% ⁽¹⁾

(1) BCB holds an additional 21,010,723 (8.40%) ordinary shares in PCF for an aggregate group holding of 156,929,880 (62.72%) shares.

5. ASSOCIATE UNDERTAKINGS

The associate undertakings are held as part of the investment portfolio and consequently are carried at fair value through profit or loss. The Company had the following associate undertakings at September 30, 2019:

	AK Jensen Group Limited ("AKJ")	Incol Limited ("Incol")	Thorn Group Limited ("Thorn")
Country of registration, incorporation and operations	Bermuda	Ireland	Australia
Number of ordinary shares held	19,580,471	100,000	60,120,000
Percentage of ordinary shares held	36.21%	23.81%	23.79%

Transactions with associate undertakings are disclosed in note 16.

6. LOANS AND RECEIVABLES

Loans and receivables at September 30 were as follows:

	2019 \$	2018 \$
Loans to associates	1,400,000	1,448,758
Loans to investment portfolio companies	102,953	220,454
Total	1,502,953	1,669,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2019 (Expressed in United States Dollars)

7. OTHER ASSETS

Other assets at September 30 were as follows:

	2019 \$	2018 \$
Prepayments and other receivables	5,805,796	804,538
Contingent consideration	2,179,601	-
Amounts receivable from brokers	319,230	-
Dividends receivable	-	1,618,457
Total	8,304,627	2,422,995

Prepayments and other receivables includes an amount of A\$8.94 million (US\$5.67 million) held by Shaw and Partners Limited relating to Somers' sub-underwriting investment commitment in the Thorn Group Limited equity raising entitlement offer.

Contingent consideration consists of the expected additional consideration to be received from the disposal of investments in Stockdale Securities Limited and Merrion Capital Holdings Limited.

8. OTHER LIABILITIES

Other liabilities at September 30 were as follows:

	2019 \$	2018 \$
Accounts payable	504,519	408,363
Accrued liabilities	829,647	1,088,343
Financial investment termination provision	-	127,389
Total	1,334,166	1,624,095

9. INTEREST BEARING LOANS AND BORROWINGS

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

	2019 \$	2018 \$
Loan facility from BCB	5,500,000	4,500,000
Loan facility from BNTB	37,198,425	32,585,000
Total bank borrowings	42,698,425	37,085,000
USD 6% loan facility from UIL	3,400,000	3,650,000
GBP 6% loan facility from UIL	8,675,534	802,945
AUD 6% loan facility from UIL	4,093,806	-
USD 6% loan facility from Permanent	2,750,000	-
GBP 6% loan facility from Permanent	1,635,495	-
AUD 6% loan facility from Permanent	4,687,349	-
Total	67,940,609	41,537,945

BCB Loan

This \$5.5 million loan facility from BCB carries an interest rate of the BCB base rate (5.25% as at September 30, 2019) plus 1.75%. The facility is unsecured and is subject to annual principal repayments of \$1.0 million commencing August 30, 2020 with a final repayment date of August 31, 2024.

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

This £30.25 million loan facility from BNTB carries an interest rate of three-month GBP LIBOR plus 4.0%. The facility is secured against certain securities within the Company's investment portfolio. A £3.25 million principal repayment was made in October 2019 and the facility is subject to an additional £7.0 million principal repayment on December 31, 2019, followed by annual principal repayments of £4.0 million and a final repayment date of June 26, 2023. At year end, £30.25 million was drawn down on this facility. In order to secure the loans the company has pledged certain of its investments. The shares pledged are 8,772,000 BNL Investments UK Limited shares with a carrying value at September 30, 2019 of US\$58,155,379 and 81,646,090 Resimac Group Limited ordinary shares with a carrying value at September 30, 2019 of US\$50,771,985.

USD 6% Loan Facility from UIL

This unsecured facility from UIL carries a fixed interest rate of 6% and is repayable upon UIL giving Somers not less than 12 months' notice. At year end, \$3,400,000 was drawn down on this facility.

GBP 6% Loan Facility from UIL

This unsecured facility from UIL carries a fixed interest rate of 6% and is repayable upon UIL giving Somers not less than 12 months' notice. At year end, £7,055,000 was drawn down on this facility.

AUD 6% Loan Facility from UIL

This unsecured facility from UIL carries a fixed interest rate of 6% and is repayable upon UIL giving Somers not less than 12 months' notice. At year end, A\$6,064,000 was drawn down on this facility.

USD 6% Loan Facility from Permanent

This unsecured facility from Permanent carries a fixed interest rate of 6% and is repayable upon Permanent giving Somers not less than 12 months' notice. At year end, \$2,750,000 was drawn down on this facility.

GBP 6% Loan Facility from Permanent

This unsecured facility from Permanent carries a fixed interest rate of 6% and is repayable upon Permanent giving Somers not less than 12 months' notice. At year end, £1,330,000 was drawn down on this facility.

AUD 6% Loan Facility from Permanent

This unsecured facility from Permanent carries a fixed interest rate of 6% and is repayable upon Permanent giving Somers not less than 12 months' notice. At year end, A\$6,943,192 was drawn down on this facility.

Compliance with Loan Covenants

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2019 (Expressed in United States Dollars)

10. EQUITY

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

	Authorised Shares	Par Value \$	Issued & Fully Paid Shares	Par Value \$	Contributed Surplus \$
Balance at September 30, 2017	120,000,000	12,000	19,475,459	1,948	286,063,186
Issuance of 614,178 shares under dividend reinvestment plan	-	-	614,178	61	9,147,191
Cancellation of treasury stock	-	-	(31,376)	(3)	(461,967)
Balance at September 30, 2018	120,000,000	12,000	20,058,261	2,006	294,748,410
Issuance of 628,540 shares under dividend reinvestment plan	-	-	628,540	63	9,620,423
Cancellation of treasury stock	-	-	(15,180)	(2)	(228,442)
Balance at September 30, 2019	120,000,000	12,000	20,671,621	2,067	304,140,391

Treasury Stock

	2019		2018	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance at beginning of year	-	-	-	-
Purchase of treasury stock	15,953	240,039	31,376	461,970
Cancellation of treasury stock	(15,180)	(228,444)	(31,376)	(461,970)
Balance at end of year	773	11,595	-	-

Regulatory Capital

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

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

Capital Management

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

Dividend Reinvestment Plan

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

11. EARNINGS PER SHARE

	Net Earnings \$	Weighted Average Shares	Earnings per Share \$
2019			
Basic Loss Per Share			
Net loss	(9,721,143)	20,335,916	(0.48)
Diluted Loss Per Share			
Net loss	(9,721,143)	20,335,916	(0.48)
2018			
Basic Earnings Per Share			
Net profit	4,183,196	19,772,550	0.21
Diluted Earnings Per Share			
Net profit	4,183,196	19,772,550	0.21

12. DIVIDENDS

The Company declared and paid dividends as follows:

	2019 \$	2018 \$
Final dividend for the year ended September 30, 2018 of 29.0 cents (2017: 28.0 cents) per common share. Paid February 2019	5,816,680	5,451,783
Interim dividend for the year ended September 30, 2019 of 21.0 cents (2018: 21.0 cents) per common share. Paid July 2019	4,287,188	4,161,877
Total	10,103,868	9,613,660

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended September 30, 2019 and 2018 were as follows:

	2019 \$	2018 \$
Paid in cash	483,382	466,408
Satisfied by issue of shares	9,620,486	9,147,252
Total	10,103,868	9,613,660

On December 10, 2019 the Directors declared a final dividend in respect of the year ended September 30, 2019 of \$0.30 per share which will be paid on February 10, 2020 to all shareholders of record as at close of business on January 17, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2019 (Expressed in United States Dollars)

13. INTEREST INCOME

The Company earned interest income as follows:

	2019 \$	2018 \$
Loans and receivables	135,919	205,908
Financial assets at fair value through profit or loss	312,545	134,766
Total	448,464	340,674

14. GAINS ON INVESTMENTS

The Company recorded the following net gains on investments:

	2019 \$	2018 \$
Financial assets at fair value through profit or loss		
Unrealised gains on investments	3,330,089	8,993,866
Realised gains on sale of investments	1,006,558	86,119
Total	4,336,647	9,079,985
Available-for-sale financial assets		
Realised gains on sale of investments	-	1,813,194
Total	-	1,813,194
Total gains on investments	4,336,647	10,893,179

15. INCOME TAX

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

The income tax expense for the year was as follows:

	2019 \$	2018 \$
Overseas taxation	-	51,821
Total	-	51,821

16. RELATED-PARTY DISCLOSURES

As at September 30, 2019, the Major Shareholders held, in aggregate, 93.60% (2018: 93.39%) of Somers' common shares. Details of the Major Shareholders are disclosed in note 1.

The following are considered related parties of the Company: the Major Shareholders, Somers Isles Private Trust Company Limited ("SIPTCL") (which controls 100% of Permanent, Permanent Mutual and ICM and 70.2% of UIL's ordinary shares), Mr Duncan Saville (who owns 100% of SIPTCL), entities controlled by these entities and individuals, the subsidiaries of the Company set out under note 4, the associates of the Company set out under note 5, and the Board of Directors.

The following transactions were carried out during the year ended September 30, 2019, between the Company and its related parties:

Bermuda Commercial Bank Limited

Somers uses BCB for banking services and these services are provided under the same terms as an unrelated party would receive. For the year ended September 30, 2019, Somers paid BCB fees of approximately \$88,725 (2018: \$69,331) for banking services.

At September 30, 2019, Somers had deposits with BCB amounting to \$322,022 (2018: \$119,378).

As detailed in note 9 the Company has a \$5.5 million (2018: \$4.5 million) loan facility from BCB which carries an interest rate of the BCB US\$ base rate plus 1.75%. The facility is unsecured and is subject to annual principal repayments of \$1.0 million commencing August 30, 2020 with a final repayment date of August 31, 2024. Somers incurred interest expense of \$390,584 (2018: \$323,638) on this loan during the year.

Somers did not acquire any securities from BCB during the year. In the prior year, Somers acquired 94,548,324 shares in PCF Group plc from BCB at their fair value of \$38,671,588.

Resimac Group Limited

Somers received A\$6,296,645 (2018: A\$4,459,965) of dividends during the year from Resimac.

Waverton Investment Management Limited

Somers received £1,881,250 (2018: £3,062,568) of dividends during the year from Waverton.

PCF Group plc

Somers received £407,757 (2018: £45,291) of dividends during the year from PCF.

West Hamilton Holdings Limited

Somers received \$165,939 (2018: \$nil) dividends during the year from West Hamilton.

AK Jensen Group Limited

Somers provided a \$2,000,000 loan facility to AK Jensen in January 2018. The loan carries a fixed interest rate of 10% and is repayable on April 30, 2021. At year end, \$1,400,000 was drawn down on this facility. Somers earned interest and fees of \$149,000 during the year of which \$37,556 was receivable at year end.

Incol Limited

Somers has a loan receivable from Incol of €42,000 (2018: €42,000). The loan is unsecured and carries no interest.

UIL Limited

Somers has entered into a number of loan facilities with UIL. These unsecured facilities carry a fixed interest rate of 6% and are repayable upon UIL giving Somers not less than 12 months' notice. At year end balances of \$3,400,000, £7,055,000 and A\$6,064,000 (2018: \$3,650,000, £616,039 and A\$nil) were drawn down on these facilities. Somers incurred interest expense of \$517,533 (2018: \$124,402) on these loans during the year, of which \$198,692 (2018: \$68,029) was payable at year end. Somers acquired no securities from UIL during the year. In the prior year, Somers acquired securities in AK Jensen Group Limited from UIL at their fair value of \$3,997,435.

Permanent Investments Limited

Somers has entered into a number of loan facilities with Permanent. These unsecured facilities carry a fixed interest rate of 6% and are repayable upon Permanent giving Somers not less than 12 months' notice. At year end balances of \$2,750,000, £1,330,000 and A\$6,943,192 (2018: \$nil, £nil and A\$nil) were drawn down on these facilities. Somers incurred interest expense of \$282,913 (2018: \$nil) on these loans during the year.

Permanent Mutual Limited

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

ICM Limited

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2019 (Expressed in United States Dollars)

Somers has agreed to pay ICM an annual fee for its investment management services equal to 0.50% (payable quarterly in arrears) of the gross asset value of qualifying investments within Somers' financial investment portfolio. For the year ended September 30, 2019, this fee amounted to \$2,001,151 (2018: \$2,073,344), of which \$500,000 (2018: \$724,956) remained payable at year end. Included within the terms of the revised investment manager agreement is a performance fee payable to ICM if the growth in the Company's equity exceeds a hurdle rate equal to the higher of 8% or 4% plus the UK Retail Price Index inflation ("Hurdle Rate"). The fee arrangement is payable at a rate of 15% on the amount by which the growth in the Company's equity exceeds the Hurdle Rate. The growth in Somers' equity did not exceed the Hurdle Rate in 2019 and therefore no performance fee was payable for the year ended September 30, 2019 (2018: \$nil).

ICM provided administration and other professional services to Somers for which Somers paid fees of \$50,000 (2018: \$50,000) and this is included in "Audit and accounting fees" in the Consolidated Statement of Income.

The Board of Directors

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

	2019	2018
Charles Jillings	96,116	85,626
Warren McLeland	49,587	48,006
David Morgan	6,750	6,750

Duncan Saville, who retired as a Director on February 6, 2019, was beneficially interested in 9,856,757 shares as at September 30, 2018.

The Company's directors' fees for the year ended September 30, 2019, amounted to \$172,500 (2018: \$65,000).

Charles Jillings was a director of Waverton during the year ended September 30, 2019 and received directors' fees of \$51,038 in the year (2018: \$53,738). Alasdair Younie was a director of West Hamilton and BCB during the year ended September 30, 2019 and received directors' fees of \$7,300 and \$40,000, respectively, in the year (2018: \$7,500 and \$22,875). Warren McLeland was a director of Resimac during the year ended September 30, 2019 and received directors' fees of \$52,715 in the year (2018: \$56,919). David Morgan was a director of BCB, Waverton and PCF during the year ended September 30, 2019 and received directors' fees of \$50,000, \$51,038 and \$52,227, respectively (2018: \$33,000, \$53,738 and \$49,539). Morwill Ltd, a company related to Mr Morgan, also received fees for providing services to Somers of \$109,466 for the year (2018: \$129,379). Duncan Saville was a director of West Hamilton

and Resimac during the year ended September 30, 2019 and received directors' fees of \$4,800 and \$49,200, respectively, in the year (2018: \$7,500 and \$46,917).

BCB also provides banking services to certain directors under normal commercial terms. At September 30, 2019, directors and parties associated with directors had deposit balances with BCB of \$306 (2018: \$161,652).

Other

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

BCB

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

Loans and advances to customers

At September 30, 2019, BCB had total loans and advances receivable from related parties of Somers amounting to \$12,676,596 (2018: \$16,029,986), of which \$3,000,000 (2018: \$4,000,000) was unsecured and \$9,676,596 (2018: \$12,029,986) was secured by the related parties' cash and portfolio assets custodied by BCB. The undrawn portion of credit facilities with related parties of Somers at September 30, 2019 totaled \$nil (2018: \$nil).

For the year ended September 30, 2019, BCB earned net interest and fees of \$1,374,902 (2018: \$1,613,733) for banking services provided to related parties of Somers.

At September 30, 2019, BCB had one investment in asset-backed notes in a securitisation entity set up by Resimac, with a carrying value of \$1,620,240 (2018: \$1,734,720).

At September 30, 2018, BCB held £10.0 million in extendible loan notes issued by PCF. These were repaid in full during the year.

Deposit Liabilities

At September 30, 2019, BCB had deposit balances placed by Somers' related parties amounting to \$7,915,593 (2018: \$7,867,899).

Investment Adviser Agreement with ICM

BCB has entered into an investment adviser agreement with ICM and has agreed to pay ICM an annual fee for its advisory services equal to 0.50% of the value of BCB's investment portfolio. For the year ended September 30, 2019, such fees amounted to \$539,835 (2018: \$421,680) of which \$155,768 remained payable at year end (2018: \$107,508). In addition, pursuant to a consultancy agreement, a fee of \$100,000 (2018: \$100,000) was paid to ICM for its consultancy services, of which \$25,000 remained payable at year end (2018: \$25,000).

In addition, depending upon the performance of its investment portfolio, BCB may determine that the Investment Adviser should receive performance fees on account of the services provided. During the year ended September 30, 2019, BCB incurred a performance fee of \$nil (2018: \$nil).

Ultimate Parent Undertaking

In the opinion of the Directors, the Company's ultimate parent undertaking is Somers Isles Private Trust Company Limited, a company incorporated in Bermuda and beneficially owned by Mr Duncan Saville.

17. RISK MANAGEMENT

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

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

(a) Market Risk

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

The Board sets policies for managing these risks within the Company's objectives and meets regularly to review full, timely and relevant information on investment performance and financial results. The Investment Manager assesses exposure to market risks when making each investment decision

and monitors ongoing market risk within the portfolio. The Investment Manager consults with the Board of Directors on a quarterly basis, or more frequently as required.

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

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

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

Currency exposure

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2019 (Expressed in United States Dollars)

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

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

2019

	Financial Assets \$	Financial Liabilities \$	Net Financial Assets \$	% of Company Net Financial Assets	Hedging Contracts \$	Net Exposure \$
Australian Dollar	178,857,914	(8,832,307)	170,025,607	48.1%	-	170,025,607
Sterling	130,664,685	(47,710,262)	82,954,423	23.5%	-	82,954,423
New Zealand Dollar	1,177,661	-	1,177,661	0.3%	-	1,177,661
Canadian Dollar	356,064	-	356,064	0.1%	-	356,064
Singapore Dollar	318,665	(72)	318,593	0.1%	-	318,593
Euro	150,596	(103,460)	47,136	0.0%	-	47,136
Total	311,525,585	(56,646,101)	254,879,484	72.1%	-	254,879,484

2018

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

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

Strengthening of US Dollar

	2019					
	Australian Dollar \$	Sterling £	New Zealand Dollar \$	Canadian Dollar \$	Singapore Dollar \$	Euro €
Net income for the year	(17,002,561)	(8,295,442)	(117,766)	(35,606)	(31,859)	(4,714)
NAV per share – Basic	(0.82)	(0.40)	(0.01)	(0.00)	(0.00)	(0.00)

	2018					
	Australian Dollar \$	Sterling £	New Zealand Dollar \$	Canadian Dollar \$	Singapore Dollar \$	Euro €
Net income for the year	(13,438,776)	(11,710,006)	(58,335)	(41,745)	(34,093)	(340,097)
NAV per share – Basic	(0.65)	(0.57)	(0.00)	(0.00)	(0.00)	(0.02)

Weakening of US Dollar

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

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

Interest rate exposure

The Company's exposure to changes in interest rates relates primarily to its holding of convertible debt securities within its financial investments portfolio and its \$42,698,425 (2018: \$37,085,000) of variable rate bank loans. Apart from its bank loans, the Company had no floating rate debt obligations at September 30, 2019 (2018: \$nil). The Company has incurred, and expects to continue to incur, indebtedness, to leverage certain investments. Due to the foregoing, the Company is, and believes that it will continue to be, exposed to risks associated with movements in prevailing interest rates. An increase in interest rates could make it more difficult or expensive to obtain debt financing, could negatively impact the values of fixed income investments, and could decrease the returns that investments generate or cause them to generate losses.

At September 30, 2019 the Company held convertible debt securities with a fair value of \$9,660,828 (2018: \$3,910,200). The remaining terms to maturity varied between one and four

years with a weighted average of 2.1 years (2018: 2.5 years). These securities have fixed interest rates. Changes in prevailing interest rates or changes in expectations of future rates may result in an increase or decrease in the value of these securities. In general, if interest rates rise, the value of fixed income securities will decline and a decline in interest rates should have the opposite effect.

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

External borrowings will only be undertaken if the Directors and the Investment Manager consider the prevailing interest rates to be favourable and that the terms and conditions attaching to such borrowings are acceptable, having regard to the investment objectives of the Company. As at September 30, 2019, the Company had bank loans and overdrafts of \$42,698,425 (2018: \$37,085,000), and loans of \$25,242,184 (2018: \$4,452,945) with other entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2019 (Expressed in United States Dollars)

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

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

	2019 \$	2018 \$
Fixed rate instruments		
Financial assets	7,036,603	4,227,254
Financial liabilities	(25,242,184)	(4,452,945)
	(18,205,581)	(225,691)
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(42,698,425)	(37,085,000)
	(42,698,425)	(37,085,000)
Total interest rate sensitivity gap	(60,904,006)	(37,310,691)

An increase in 100 basis points in interest rates as at the reporting date would have decreased net interest income by \$426,984 (2018: \$370,850). A decrease of 100 basis points would have increased net interest income by \$426,984 (2018: \$370,850).

As described above, a change in interest rates may impact the fair value of the Company's fixed rate debt instruments. An increase in 100 basis points in interest rates as at the reporting date would have reduced gains on investments and basic NAV per share by approximately \$134,000 and \$0.01 respectively (2018: \$86,000 and \$0.00 respectively). A decrease of 100 basis points would have had an equal but opposite effect on net income and basic NAV per share.

Exposure to other price risk

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

The valuation of unquoted investments depends upon a combination of market factors and the performance of the

underlying assets. The Investment Manager monitors price risk and consults with the Board of Directors on a quarterly basis, or more frequently as the case may be. The impact on valuations of the Company's larger unquoted investments from changing certain unobservable inputs used in the Company's valuations, where the value is estimated by the Directors and Investment Manager, is presented in note 19.

The Company also has direct exposure to assets that are publicly traded on various equity markets. These represent 13.76% (2018: 15.38%) of the Company's portfolio value as at September 30, 2019.

(b) Liquidity Risk Exposure

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

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

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

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

	2019				Total \$
	Less than 1 month \$	1 – 3 months \$	3 months – 1 year \$	More than 1 year \$	
Financial asset by type					
Cash and cash equivalents	2,909,692	-	-	-	2,909,692
Other assets	6,275,622	-	-	2,029,005	8,304,627
Interest receivable	147,545	-	-	-	147,545
Loans and receivables	102,953	-	-	1,400,000	1,502,953
Financial investments	-	-	-	6,763,350	6,763,350
Total	9,435,812	-	-	10,192,355	19,628,167
Financial liability by type					
Interest payable	295,295	-	-	-	295,295
Other liabilities	1,334,166	-	-	-	1,334,166
Interest bearing loans and borrowings	3,996,525	-	14,526,700	49,417,384	67,940,609
Total	5,625,986	-	14,526,700	49,417,384	69,570,070
2018					
	Less than 1 month \$	1 – 3 months \$	3 months – 1 year \$	More than 1 year \$	Total \$
Financial asset by type					
Cash and cash equivalents	187,917	-	-	-	187,917
Other assets	2,422,995	-	-	-	2,422,995
Interest receivable	86,102	-	-	-	86,102
Loans and receivables	269,212	-	-	1,400,000	1,669,212
Financial investments	-	-	-	3,910,200	3,910,200
Total	2,966,226	-	-	5,310,200	8,276,426
Financial liability by type					
Interest payable	68,029	-	-	-	68,029
Other liabilities	1,494,217	2,489	-	-	1,496,706
Interest bearing loans and borrowings	-	6,517,000	3,606,800	31,414,145	41,537,945
Total	1,562,246	6,519,489	3,606,800	31,414,145	43,102,680

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2019 (Expressed in United States Dollars)

(c) Credit Risk and Counterparty Exposure

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

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

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

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

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

	2019	2018
	\$	\$
Cash and cash equivalents	2,909,692	187,917
Interest receivable	147,545	86,102
Loans and receivables	1,502,953	1,669,212
Financial investments	9,660,828	3,910,200
Total	14,221,018	5,853,431

(d) Fair Values of Financial Assets and Liabilities

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

Unquoted investments are valued based on assumptions and methodologies that may not be supported by prices from available current market transactions or by observable market data. The Directors make use of recognised valuation techniques and may take account of recent arms' length transactions in the same or similar investments. Details of the valuation process for unquoted investments are set out in note 19.

(e) Reliance on Investment Manager

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

18. SEGMENT INFORMATION

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

19. FINANCIAL INSTRUMENTS

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

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

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

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

Financial Instruments Recorded at Fair Value

Financial Investments at Fair Value through Profit or Loss

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

Valuation methodology

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

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

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

The Directors have satisfied themselves as to the methodologies used, the discount rates and key assumptions applied, and the estimated valuations. The Level 3 assets comprise a number of unlisted investments at various stages of development and each has been assessed based on its industry, location, and place in the business cycle. Where sensible, the Directors have taken into account observable data and events to underpin the valuations. Unlisted valuations which are based on observable data may be discounted to reflect the illiquid nature of the investment. These discounts have ranged between 10% and 30% depending on the nature and characteristics of each investment.

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

Resimac – Australia Incorporated

Valuation inputs: Maintainable EV/Profit After Tax ("PAT") multiple of 11.2 times (2018: 10.9).

Valuation Methodology: The Resimac shares were deemed not to trade in an active market and Resimac has been valued based on peer comparisons and in particular EV/PAT. Listed peer

valuations average 11.2 times for 2019 resulting in a valuation of A\$374.5 million (2018: A\$288.1 million). Somers holds a 62.5% equity interest in Resimac and, as at September 30, 2019 and carried this investment at A\$233.9 million.

Sensitivities: Should the PAT of Resimac move by A\$1.0 million the gain or loss in valuation would be A\$7.0 million. Should the peer group multiple ascribed to Resimac's PAT be reduced/increased by 1.0 the change in valuation for Somers would be A\$20.8 million.

BCB – Bermuda Incorporated

Valuation inputs: Adjusted net book value of BCB's identifiable assets and liabilities.

Valuation Methodology: Sum-of-the-parts valuation. Somers has a 100% interest in BCB and this was valued at \$82.9 million (2018: \$94.9 million).

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

Waverton – UK Incorporated

Valuation inputs: Maintainable EV/EBITDA multiple of 12.0 times (2018: 12.3). Unlisted discount applied of 10%.

Valuation Methodology: Waverton has been valued based on peer comparisons and in particular EV/EBITDA. Listed peer valuations average 12.0 times for 2019. After applying a 10% discount the valuation is £89.5 million (2018: £94.5 million). Somers holds a 62.5% equity interest in Waverton and, as at September 30, 2019, carried this investment at £56.0 million (2018: £59.0 million).

Sensitivities: Should the EBITDA of Waverton move by £1.0 million the gain or loss in valuation would be £6.8 million. Should the peer group multiple ascribed to Waverton's EBITDA be reduced/increased by 1.0 the change in valuation would be £4.4 million.

West Hamilton – Bermuda Incorporated

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

Valuation Methodology: Fair value of West Hamilton's properties held in Hamilton, Bermuda. Somers has a 57.06% interest in West Hamilton. Somers' holding was valued at \$19.8 million (2018: \$15.9 million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2019 (Expressed in United States Dollars)

Other

Valuation Methodology: Somers has a further twelve unlisted investment holdings with values ranging from \$nil to \$6.6 million. These were valued using a variety of methods, including; EV/Revenue multiple, fair value of the underlying net assets, and cost of recent investments; adjusted for events subsequent to acquisition that impact fair value. The total value of these twelve holdings was \$24.4 million at September 30, 2019 (2018: \$23.5 million).

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

	2019			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
Financial assets at fair value through profit or loss				
Equity investments	54,206,877	2,231,737	340,841,984	397,280,598
Debt securities	-	-	9,660,828	9,660,828
Other financial investments	-	-	3,327,000	3,327,000
Total	54,206,877	2,231,737	353,829,812	410,268,426

	2018			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
Financial assets at fair value through profit or loss				
Equity investments	59,302,675	-	337,071,726	396,374,401
Debt securities	-	-	3,910,200	3,910,200
	59,302,675	-	340,981,926	400,284,601

Available-for-sale financial assets

Equity investments	2,689,390	-	-	2,689,390
	2,689,390	-	-	2,689,390
Total	61,992,065	-	340,981,926	402,973,991

Movement in Level 3 financial instruments measured at fair value:

	Equity Investments \$	Debt Securities \$	Other Financial Investments \$	Total \$
Financial assets at fair value through profit or loss				
At October 1, 2017	340,206,734	5,233,758		345,440,492
Total losses recorded	(13,213,268)	(1,323,558)	-	(14,536,826)
Purchases	10,094,011	-	-	10,094,011
Disposals	(15,751)	-	-	(15,751)
At September 30, 2018	337,071,726	3,910,200	-	340,981,926
Total gains recorded	10,689,989	2,568,978	327,000	13,585,967
Purchases	2,433,240	3,181,650	3,000,000	8,614,890
Disposals	(9,352,971)	-	-	(9,352,971)
At September 30, 2019	340,841,984	9,660,828	3,327,000	353,829,812

There were no Level 3 available-for-sale financial assets held during the years ended September 30, 2019 and September 30, 2018.

There were no Level 3 financial liabilities held during the years ended September 30, 2019 and September 30, 2018.

At September 30, 2019 investments with a fair value of US\$2,231,737 were transferred from Level 1 to Level 2 because the securities were no longer regularly traded. There were no other transfers between fair value levels for years ended September 30, 2019 and September 30, 2018.

20. PRIOR PERIOD ADJUSTMENT

In the period to September 30, 2017 the Company's consolidated subsidiaries held foreign investments. The foreign exchange gains and losses on these investments were recognised in other comprehensive income instead of through profit and loss. As a result, as at October 1, 2017 an adjustment was made to reclassify the foreign exchange gains and losses from accumulated other comprehensive loss to retained earnings.

The restatement did not affect the earnings per share, net asset value per share, total comprehensive income or the cash flow statement for the years ended September 30, 2019 or 2018.

	Impact of restatement		
	As previously reported	Adjusted	As restated
Consolidated statement of financial position			
As at October 1, 2017	(13,558,072)	13,687,724	129,652
Accumulated other comprehensive loss	88,736,653	(13,687,724)	75,048,929
Retained earnings	361,243,715	-	361,243,715

21. SUBSEQUENT EVENTS

Final Dividend

On December 10, 2019, the Board of Directors resolved to pay a final dividend for the year ended September 30, 2019 in the amount of \$0.30 per share to shareholders of record at January 17, 2020, payable on February 10, 2020.

COMPANY INFORMATION

Company Number: 46441

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Peter Durhager
Charles Jillings
David Morgan
Alasdair Younie

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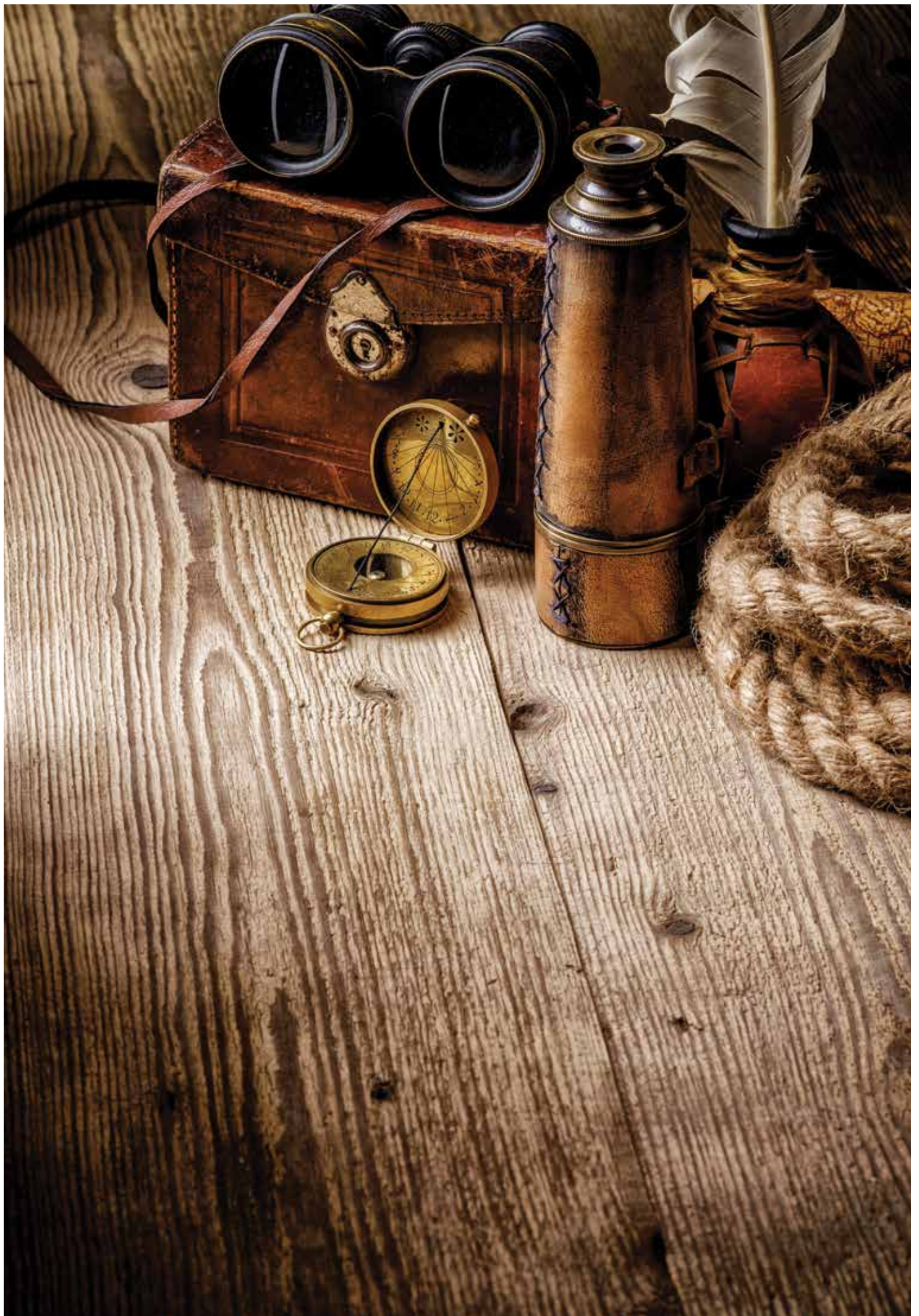
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