SOMERS LIMITED

2016
ANNUAL REPORT

MANAGED BY ICM

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SOMERS LIMITED

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 the Company consists of investing the funds of its shareholders in accordance with its investment objective and policy, with the aim of generating a return for shareholders with an acceptable level of risk. The Company has borrowings ("gearing"), the proceeds of which can also be invested with the aim of enhancing returns to shareholders. The gearing increases the potential risk to shareholders should the value of the investments fall. The Company has contracted with an external investment manager, ICM Limited (the "Investment Manager" or "ICM") to manage its investments. The Company has a board of non-executive directors who oversee and monitor the activities of the Investment Manager and the other service providers and ensures that the investment policy is adhered to.

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

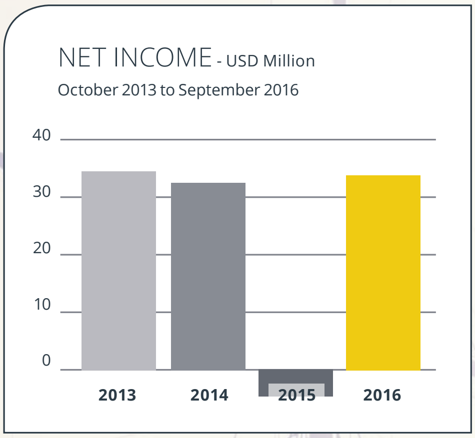
GEOGRAPHICAL INVESTMENT EXPOSURE

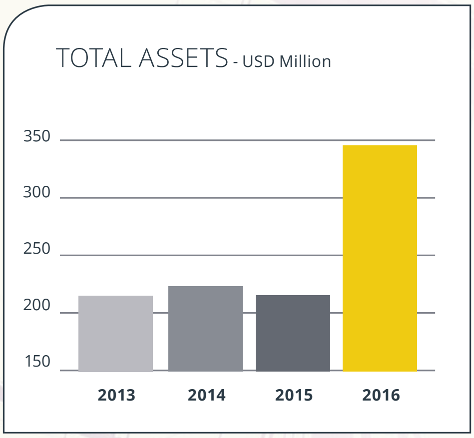
FINANCIAL CALENDAR	
Year End	September 30
Annual General Meeting	March 17, 2017
Half Year	March 31
Dividends Payable	January and July

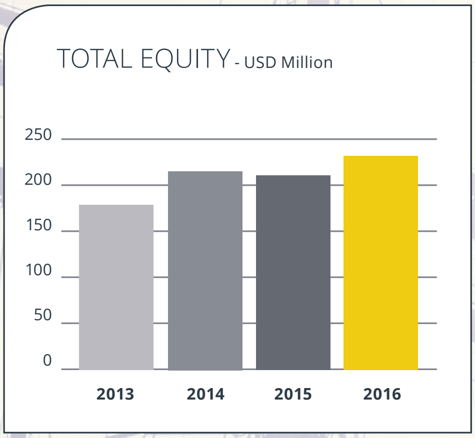
FORWARD–LOOKING STATEMENTS

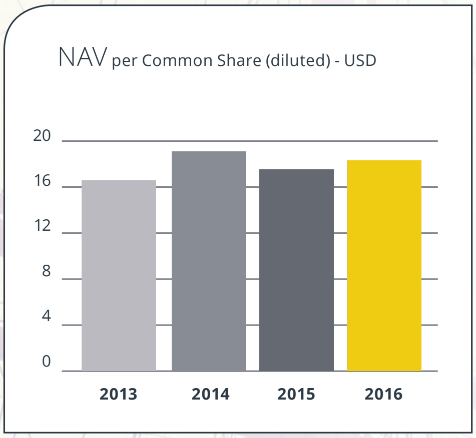
This annual report may contain "forward looking statements" with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially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

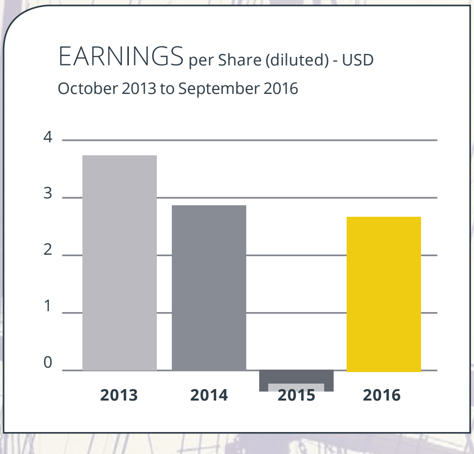
FINANCIAL HIGHLIGHTS

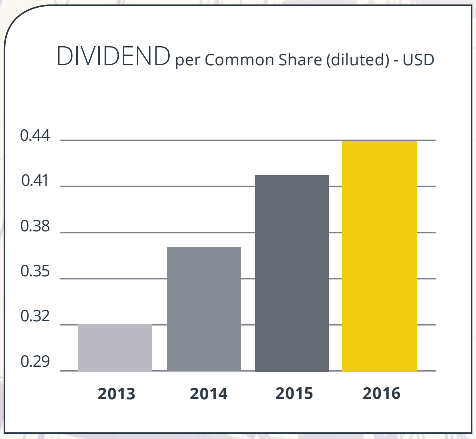








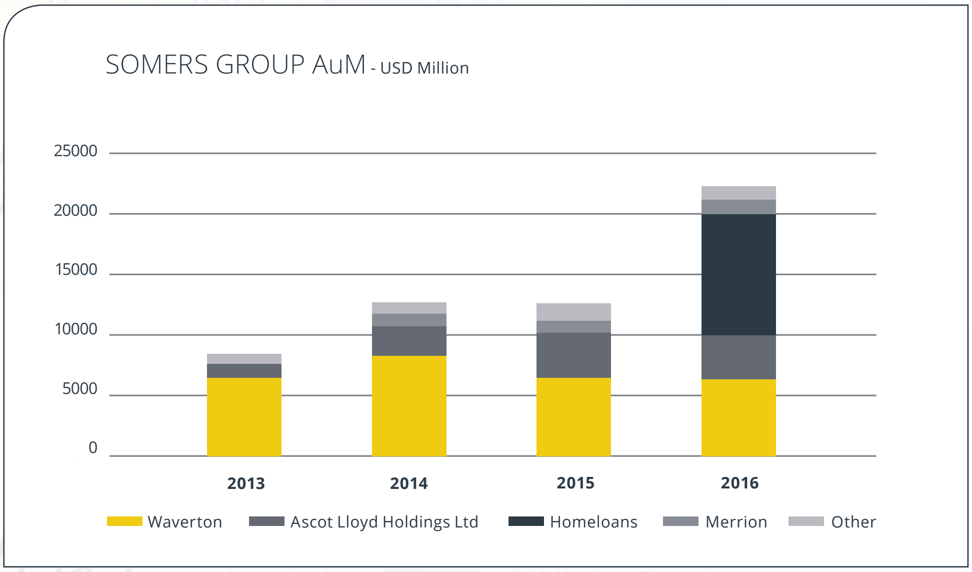




For the year ended September 30, 2016	2016 $	2015 $
NAV per share	**18.66**	17.74
Share price	**13.75**	13.00
Discount to NAV	**26.32%**	26.71%
Shares in issuance (excluding shares held in treasury)	**12.11m**	11.79m
Total return per ordinary share	**7.67%**	4.36%
Ordinary dividend per share	**44.0c**	42.0c
Cash from shares issued	**4.49m**	4.17m
Total assets	**346.92m**	215.99m

Key highlights

- Acquisition of a 79% shareholding in RESIMAC Limited (subsequently merged with ASX listed Homeloans Limited and a resultant 59% holding in Homeloans) for $88.5 million
- Additional investment in Ascot Lloyd increasing Somers' total potential economic interest to 49%
- Acquired a minority interest in MJ Hudson, a UK based specialist law firm and asset management services provider
- Significant increase in value of Waverton
- PCFG granted a conditional UK banking license post year end
- BCB launched a new core banking system and moved into a bank owned Head Office



CORPORATE STRUCTURE

SOMERS LIMITED

2016

Banking/ Asset Financing				Asset Management
BCB Bermuda Commercial Bank Limited	Homeloans	Private & Commercial Finance	RESIMAC	WAVERTON Investment Management
100.0% Bermuda Commercial Bank Limited **Banking**	58.9% Homeloans Limited **Non-bank Lender**	72.6% Private & Commercial Finance Group plc **Asset Financing**	100% Resimac Treasury Services (UK) Ltd **Mortgage Loans**	62.5% Waverton Investment Management Limited **Wealth Management**
Licensed bank in Bermuda.	Australian and New Zealand Mortgage Securitisation business.	UK Asset Financing company.	Beneficial owner of a portfolio of UK residential mortgage loans.	UK Private Wealth Management business.
Focus on Commercial Banking and Private Banking/Wealth Management.	Listed on the Australian Stock Exchange.	Listed on the London Stock Exchange.		
Total assets $580 million.	Loan Portfolio in excess of A$8 billion.	Portfolio of finance receivables of $159 million.	Buy - to - let mortgages of £150 million.	Assets under management of over $6.5 billion.

ICM

Investment Manager

Stock Broking

Property Investment

MJ HUDSON

13.0%
MJ Hudson
Legal Services

UK Specialist Legal Services to the Alternative Asset Management Industry.

Ascot Lloyd

49.0%
Ascot Lloyd Holdings Limited
Independent Financial Adviser

UK Independent Financial Adviser.

Assets under administration of over $2.5 billion.

merrion CAPITAL GROUP

21.8%
Merrion plc
Financial Services

Irish Independent Financial Services firm.

Stockbroking, Corporate Finance, Advisory and Fund Management Services.

Stockdale

75.0%
Stockdale Securities Limited
Stockbroking

UK Corporate and Institutional Stockbroking.

WEST HAMILTON HOLDINGS LIMITED

57.1%
West Hamilton Holdings Limited
Property Investment

Bermuda Property Holding and Management company.

Listed on the Bermuda Stock Exchange.

CHAIRMAN'S STATEMENT

I am pleased to write to you as Chairman of Somers Limited ("Somers" or the "Company") and to present the results for the year ended September 30, 2016.

The year was marked by considerable geopolitical upheaval, but 2016 was ultimately a strong year for Somers. Despite an annualised 14% reduction in the value of Sterling versus the US Dollar, the Company recorded a 5.2% increase in its diluted net asset value to $18.66 per share. This gain was driven principally by an increase in the valuation of our holding in Waverton, who on the back of strong equity markets, recorded excellent financial results.

We continued our policy of expanding and diversifying our portfolio, achieving this primarily through the issuance of a short term convertible loan note along with a modest increase in gearing levels. In September 2016, we completed the acquisition of a majority stake in RESIMAC Limited ("RESIMAC") which was another important step in growing our assets and acquiring holdings in profitable financial service businesses which can positively impact our other investments. After the Somers' year end, RESIMAC merged with the Australian listed Homeloans Limited ("Homeloans") and as a result Somers became a 59% shareholder in Homeloans. Homeloans will provide us with a securitisation skill set which will become valuable in an increasingly debt burdened global environment. We look forward to working with the Homeloans' management team to grow and develop their business in the coming years.

A key feature of the year was the UK's decision to exit the European Union and Sterling's resultant weakness. Over the year, Sterling fell 14% against the US Dollar and this negatively impacted Somers' NAV. Many of our larger investments, in particular Waverton, PCFG and Ascot Lloyd, are denominated in Sterling and the currency's depreciation lead to a $14.3 million reduction in Somers' NAV for the year. Offsetting this were buoyant equity markets which were underpinned by supportive central bank policy and, as such, led to an equity price rally across many markets in the second half of the year. This had the impact of increasing earnings at a number of our portfolio companies, thereby leading to increased valuations. These resultant valuation gains outstripped the exchange losses contributing to an overall net increase in NAV per share during 2016.

"Our focus remains delivering strong returns for our shareholders."

We do not currently directly hedge the FX risk in our investment portfolio. However, whilst volatility in 2017 may continue, the acquisition of Homeloans has diversified our currency exposure and any additional downturn in Sterling will have a reduced impact on the Company's NAV. Currency movements and the geographical split of our portfolio are actively monitored by the Investment Manager in consultation with the Board and are an integral component of our investment management decisions.

Our focus remains on delivering strong returns for our shareholders and an increase in the final dividend is a demonstration of that focus. We are currently fully invested, but as our capital grows and our investments generate surplus cash to distribute to Somers in the form of dividends, we will look to increase the portfolio where the strategic and financial case is strong.

Detailed on page 19 of the report is a summary of the investment philosophy of Somers' Investment Manager. In addition, we provide more detail on the Company's strategy and investment approach on page 21 of the report.

Share Price Performance and Share Buy Backs

The market value of the Company's common shares on the Bermuda Stock Exchange increased by 5.8% during the year ending September 30, 2016, to $13.75 which represents a 26.3% discount to NAV. This compares to a share price of $13.00 at September 30, 2015.

The Board continues to monitor Somers' share price and believe that the current market price does not fully reflect the underlying value of the Company's investments, and as such, we intend to continue to buy back shares when opportunities arise. The existing discount enabled the Investment Manager to buy back a total of 18,843 shares during the year at an average price of $13.14 per share. These buybacks were accretive to Somers' NAV per share and earnings per share and are supported by the Somers' Board. All of these shares were cancelled prior to year end.

Dividend

The Board's objective is to maintain or increase the total annual dividend and dividends will generally be increased in line with the Company's long term trends in earnings per share growth.

The Board paid a final dividend per share of $0.26 (2015: $0.24). The total dividend payment for the year was $0.44 a share, an increase of $0.02 per share compared to 2015. The total payment for 2016 equates to a dividend yield of 3.2% based on the Company's closing price as at September 30, 2016, and a yield of 2.4% based on the closing NAV price. The record date for the dividend was January 13, 2017, and the payment date was January 30, 2017.

Outlook

After a period of relatively low volatility and US equity market highs, we believe volatility may return through the course of 2017. Rising geopolitical risk, not just in the US but possibly in Europe and Asia, will add to this volatility. A stronger US Dollar is likely to present real challenges for foreign economies and corporates. However, the US Federal Reserve Bank and other Central Banks globally are expected to remain supportive and to raise interest rates slowly. Somers' own performance is driven by the results of our individual investee companies and our ability to achieve strong positive returns is a function of the operating performance of these companies rather than relying on broad positive markets. Despite our global macro concerns, 2017 has the potential to be a positive year for our Company with PCFG recently granted a banking license in the UK and BCB operating under new senior management. Consequently, we are optimistic about the year ahead.

Warren J McLeland

Warren McLeland
Chairman

FINANCIAL REVIEW

The Company's financial highlights for the year ended September 30, 2016, are set out on page 4 and the results for the year are set out in the attached accounts.

The Company recorded net income of $32.3 million for the year equating to an annualised total return on shareholders' equity (including dividends) of 7.7%. This compares to a net loss of $4.1 million in 2015. Diluted earnings per share were $2.70 compared with a diluted loss of $0.36 in 2015. Diluted NAV per share increased 5.2% to $18.66 as at September 30, 2016, from $17.74 a year earlier.

Income

Gains on Investments

During the year, Somers recorded a $34.8 million gain on its investment portfolio (2015: loss of $3.1 million). Investment gains and losses result from changes in the valuations of the Company's investments and during the year there was a significant unrealised valuation increase at Waverton ($32.2 million) due to a strong operating performance at the company as a result of positive global equity markets and lower operating costs. Waverton's valuation is based on a multiple of its EBITDA and in the second half of 2016 Waverton's EBITDA rate improved significantly. For year end valuation purposes, Waverton's EBITDA was adjusted to reflect its run-rate performance as it is considered that this run-rate methodology reflects fairly its maintainable earnings. Waverton's assessed industry multiple was kept at the same level as the prior year. Waverton's Assets under Management ("AuM") increased over the course of the year to £5.0 billion from £4.3 billion.

There were valuation increases of $5.1 million at BCB, our 100% owned Bermuda licensed bank, resulting primarily from an increase in the share price of its UK listed subsidiary PCFG.

The valuations of our remaining investments had smaller gains and losses which together provided a small loss.

Net Interest Income

Interest income totalled $1.1 million (2015: $1.3 million), with $0.9 million (2015: $1.2 million) generated from convertible loan notes and $0.2 million (2015: $0.1 million) generated from lending to portfolio companies. With no new material lending planned for 2017, interest income is expected to remain at similar levels in the short term.

Dividend Income

Somers received distributions of $3.4 million during the year compared to $2.6 million a year ago. Of the dividends received, $2.5 million was received from BCB and the remaining $0.9 million was received from Waverton who are paying dividends on the back of continued positive cash flows.

Foreign Exchange Movements

Net foreign exchange losses were $4.2 million for the year (2015: $2.7 million) with an additional $10.2 million of exchange losses on Somers' investment in its foreign operations (2015: $4.1 million). A total of $101 million of Somers' assets are denominated in Sterling, and during the year Sterling declined by 14.2% versus the Dollar following the UK's decision to exit the European Union. 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 on-going 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. The Company may engage in currency hedging to limit Somers' exposure to currency fluctuations while the Company did not engage in currency hedging throughout 2016 it has funded all recent Sterling investment with Sterling borrowings as well as translating a portion of existing US Dollar bank borrowings into Sterling.

The net assets of the Company by currency and the sensitivity for further currency movements are shown in note 18 of the audited financial statements.

Expenses

Our cost base is actively managed and monitored on an ongoing basis and we focus on linking our cost base to our revenue streams. Despite an increased balance sheet, total expenses were below 2015 levels following a reduction in legal and professional fees during the year. Slightly offsetting this, general and administrative expenses increased but as this increase related to one time investment related costs, this expense line item is expected to revert back to 2015 levels next year.

Similar to 2015, no performance based investment management fee was accrued for 2016. Somers pays a performance fee on an annual basis upon the achievement of a cumulative hurdle rate of return. The hurdle rate was not achieved in 2016 and no performance fee was accrued for the year.

Assets

Somers' balance sheet increased significantly in 2016 following the acquisition of our investment in RESIMAC and valuation gains at Waverton. Total assets ended the year at $346.9 million up from $216.0 million a year earlier.

Financial Investments

The investment portfolio was $332.0 million at year end (2015: $209.9 million) with equity investments of $311.7 million accounting for 93.9% of this total. The remaining 6.1% ($20.3 million) consisted of convertible loan note investments.

Within investments, BCB at $106.0 million, RESIMAC at $91.4 million and Waverton at $74.3 million, together represent 81.8% of total investments. It is anticipated that this concentration will continue to reduce as new capital flows, a limited increase in leverage and net positive cash flows from existing investments allow for new investments. A table setting out the Company's significant investments is provided on page 25 and individual company details are provided in the Summary of Significant Investments section of this report.

Loans and Receivables

As part of its investment strategy, Somers will occasionally provide lending facilities to companies within its investment portfolio. These lending facilities are typically used by the companies for growth or investment purposes and at September 30, 2016, such loan balances were $13.7 million (2015: $4.5 million).

Borrowings

Excluding the issuance of $88.5 million of convertible loan notes issued in September 2016, borrowings increased from $6 million to $26.5 million at September 30, 2016. Of this, $8.4 million was bank debt and the remaining $18.1 million was debt funding provided by Somers' largest shareholder UIL Limited, for investment purposes. During the year, Somers repaid $1 million of bank debt and converted its existing USD loan facility to a GBP facility in order to match its GBP liabilities with its assets.

In addition to the operating borrowings described above, and as consideration for the purchase of a majority stake of RESIMAC from Ingot Capital Management Pty Limited ("Ingot"), an entity controlled by a director of Somers, Somers issued to Ingot convertible loan notes with a principal value of $88.5 million. The loan notes were issued to Ingot on September 29, 2016, and the proceeds were used to acquire RESIMAC. The loan notes are convertible into 4,984,210 common shares of Somers upon the receipt of certain regulatory approvals.

FINANCIAL REVIEW (continued)

Shareholders' Equity

Shareholders' equity was $230.4 million at September 30, 2016 (2015: $209.2 million). During the year, 18,843 treasury shares were cancelled and $4.5 million of the $5.0 million dividends paid during the year were reinvested under the dividend reinvestment plan, through the issuance of 331,124 share. The net result from these actions was an increase in the number of issued shares to 12,105,086 (2015: 11,792,805). The closing diluted net asset value per share was $18.66 (2015: $17.74).

Net Asset Value per Common Share

Following the issuance of convertible loan notes, which are anticipated to be converted into 4,984,210 common shares during 2017, the calculation of basic and diluted NAV per common shares is provided below:

For the year ended September 30, 2016	2016 $	2015 $
Net assets	**230,398,371**	209,175,074
Conversion of convertible loan notes	**88,519,562**	–
Diluted net assets	**318,917,933**	209,175,074
Number of shares in issues	**12,105,086**	11,792,805
Potential dilutive impact of convertible loan notes	**4,984,210**	–
Diluted number of shares in issues	**17,089,296**	11,792,805
NAV per ordinary share - basic	**19.03**	17.74
NAV per ordinary share - diluted	**18.66**	17.74

New Investments during 2016

Somers is a long term investor with a strategy of supporting and growing its core investments. We are building a portfolio of financial services companies and the trading of investments within this portfolio is generally kept to a minimum. Our investment activity in 2016 was funded by a combination of the issuance of convertible loan notes, increased lending facilities, retained funds from our dividend reinvestment plan and net positive cash flows from existing investments.

- Acquisition of a majority shareholding in RESIMAC which subsequently merged with Homeloans Limited.
- Additional investment in Ascot Lloyd, bringing our total potential economic interest to 49.0%.
- Acquired a minority interest in MJ Hudson, a UK based specialist law firm and asset management services provider.

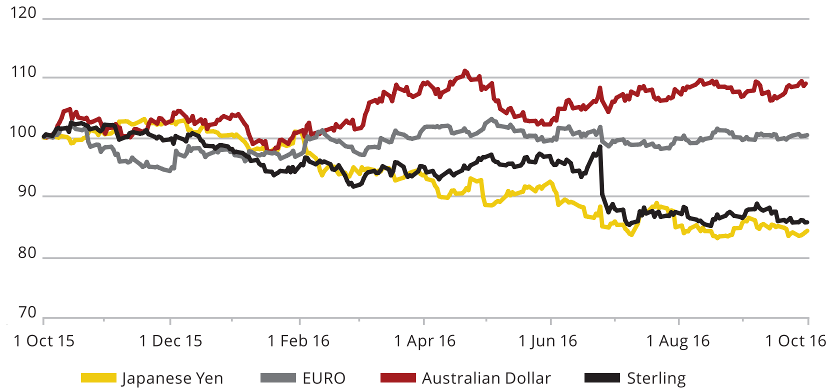
INVESTMENT MANAGER'S REPORT

ICM was the Investment Manager of Somers throughout the year under review.

Overview

Somers reported a profit of $32.3 million for the twelve months to September 30, 2016, driven by helpful equity markets during the year which in particular lead to an increase in the valuation of Waverton. Whilst market volatility continued in the first half of 2016, the UK's decision to leave the EU in June, and more recently the election of Donald Trump as the US President, has seen markets on an upward trend in the second half of the year. The S&P 500 increased by 12.9% since October 1, 2015, and over the same period the FTSE 100 Total Return Index increased by 18.4%.

CURRENCY MOVEMENTS VS US DOLLAR
October 2015 to September 2016



Source: Bloomberg

In addition to volatility in the equity markets, there has been a significant increase in the volatility of exchange rates as various Central Banks are at different stages in their respective economic cycles. The US has started the cycle of tightening its monetary policy whilst the ECB, the Bank of England and the Chinese Central Bank, continue to ease. Consequently, the US Dollar has continued to strengthen against a basket of currencies during the year. Brexit significantly impacted the value of Sterling with the US Dollar appreciating by 14% over the last 12 months. This movement has reduced Somers' NAV by approximately $14 million as a number of Somers' larger investments are based in the UK.

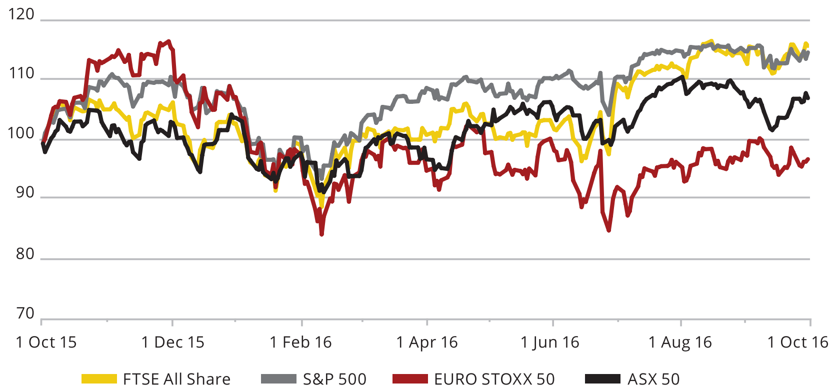
Despite the fall in the value of Sterling, the underlying performance of our investments has been positive during the financial year. In particular, Waverton's financial results have been strong, which has resulted in a significant increase to the year end valuation. Our valuation of BCB, which itself has been through a challenging year, has been positively impacted by PCFG's, its UK subsidiary's improved share price performance. Each of the Company's core investments is reviewed in more detail later in the report.

The year to September 30, 2016, did not involve any major realisations but the Company did invest $106.5 million. The largest investment was the $88.5 million acquisition of the majority shareholding in RESIMAC just prior to the year end. Post year end, RESIMAC merged with ASX listed Homeloans Limited. Further investments included $4.1 million in MJ Hudson Group Limited (a legal provider to the alternative asset management industry) and a further investment of $1.7 million in Ascot Lloyd to fund an acquisition and to provide general working capital.

INVESTMENT MANAGER'S REPORT (continued)

Somers' shares continue to trade at a significant discount to its NAV. The share price as at September 30, 2016, was $13.75 which is a discount of 26.3% to the diluted NAV of $18.66. The significant discount is one of the reasons the Company initiated a share buyback programme and during the year the Company bought back 18,843 shares for a total cost for $0.2 million. It is hoped that the positive performance of our investments, combined with the share buyback programme, will help with narrowing the discount.

INDICES MOVEMENTS
October 2015 to September 2016



Source: Bloomberg

Significant Investments

The Company has a mainly concentrated portfolio with a small number of concentrated investments which are primarily focused on the financial services sector with 91.9% of the portfolio in this sector. Within geographic allocations, Bermuda accounts for 40.1% of the portfolio (2015: 60.3%), while the UK 29.6% (2015: 37.3%) and Australia 28.0% (2015: 0.3%), make up most of the balance.

As at September 30, 2016, the core eight investments accounted for 97.4% of the portfolio versus 95.1% in the prior year.

BCB is one of Bermuda's four licensed banks and remained Somers' largest investment in 2016. It accounts for 31.9% of the portfolio at the year end (2015: 48.0%).

BCB had a transitional year in 2016 due to increased investment in both its infrastructure and people in order to continue to comply with ever increasing regulatory requirements. In November 2015, BCB successfully launched its new core banking system and in June 2016 moved into a new head office building owned by the Bank. Both events were significant and are key for the future growth of BCB as it looks to refine its strategy and build out its product offering. Just prior to the year end, Hubert Esperon was appointed Chief Executive of BCB having spent 18 years with GE including the last two as Chief Executive of GE Artesia Bank in the Netherlands. Hubert has a strong management and strategic background and we look forward to him building his team and strategically positioning the Bank, thereby moving the core banking business to profitability.

2016 was a financially challenging year for BCB as one of the key revenue drivers over the last few years, the ability to realise gains from the fixed income investment portfolio, was impacted by market volatility. As such, BCB reported revenue of $29.7 million in 2016 (2015: $35.3 million) and made a loss of $6.6 million (2015: profit of $8.0 million). Total customer deposits were $453.8 million (2015: $505.4 million) and total assets were $649.0 million (2015: $759.7 million). As at September 30, 2016, BCB's Tier 1 and total capital ratios were 21.8% (2015: 20.8%) and 21.8% (2015: 20.8%) respectively, exceeding the prescribed regulatory limits and confirming BCB's strong and liquid balance sheet.

BCB's investment in PCFG in September 2015 was intended to be a key part of its strategy to comply with new regulatory requirements resulting from the implementation of Basel III. The investment in PCFG has reduced the reliance on BCB's investment portfolio and by providing a lending facility to PCFG, both companies have benefitted. As at September 30, 2016, BCB was interested in 72.62% of PCFG's issued share capital and PCFG's share price was 25.0p (2015: 18.5p) representing an unrealised profit for BCB of £7.5 million.

PCFG have continued to demonstrate strong risk management and this has driven its pleasing financial performance in 2016. For the 18 months ended September 30, 2016, PCFG reported profit before tax of £5.1 million, a return on average assets of 3.1% (2015: 2.7%) with a total loan portfolio of £122 million (2015: £108 million). All of PCFG's outstanding loan notes were converted into ordinary shares prior to September 30, 2016.

Post the year end, PCFG announced that they had received conditional approval from the UK's Prudential Regulatory Authority for its application for a deposit taking license in the UK. PCFG have now entered into a mobilisation phase and should be in a position to accept third party deposits in the second half of 2017. This is a significant milestone for PCFG and enables them to access a much larger section of the asset financing market in the UK, whilst reducing the cost and the risk of funding.

Somers' investment in BCB is calculated with reference to the value of BCB on a stand-alone book value basis combined with the value of BCB's investment in PCFG. Despite the fall in Sterling in 2016, on the back of the increased PCFG share price in 2016, the valuation of BCB increased to $106.0 million (2015: $100.8 million).

Homeloans (formerly RESIMAC) is a leading non-bank lending and multi-channel distribution business in Australia and New Zealand with a managed mortgage loan portfolio in excess of A$8 billion. Its primary activities are as mortgage manager, mortgage broker and in addition, originating, servicing and securitising mortgage assets. Its shares are listed on the Australian Stock Exchange and Somers owns approximately 59% of Homeloans with the balance owned by institutional and retail investors.

On September 29, 2016, Somers completed the acquisition of 79% of RESIMAC for $88.5 million. Post the Somers' year end, and with effect from October 26, 2016, RESIMAC merged with Homeloans with RESIMAC becoming a subsidiary of Homeloans. Somers was then issued with 231,922,076 shares in Homeloans equal to 59% of Homeloans issued share capital.

On a pro forma basis, the combination of Homeloans and RESIMAC would have reported total income of $68.6 million and profit after tax of $11.9 million for the year ended June 30, 2016, and shareholders' funds as at June 30, 2016 of $97.6 million.

The acquisition was a significant one for Somers due to its size and because Somers has acquired a majority holding in a profitable and well run business with a strong brand in the independent Australian mortgage securitisation business. In 2016, RESIMAC by volume, was the second largest RMBS issuer in Australia with A$2.2 billion. The acquisition diversifies Somers geographically and by sector given Homeloans' expertise in securitisation. The future cash generative nature of Homeloans should enable the payment of dividends to Somers which, in turn, will assist Somers in maintaining its own progressive dividend policy. There are significant opportunities for synergies across other Group investments including PCFG and Stockdale. The acquisition increased the scale of Somers with gross assets now exceeding $300 million which should assist in developing financial relationships with additional capital and debt providers. We look forward, as Homeloans' largest shareholder, to working with management to grow the business and to create growth opportunities to the benefit of all Homeloans shareholders.

INVESTMENT MANAGER'S REPORT (continued)

Waverton is a London-based specialist investment manager which accounts for 22.4% of Somers' portfolio (2015: 30.5%) and Somers has a 62.5% holding in Waverton.

Waverton's AuM was £5.0 billion as at September 30, 2016 (2015: £4.3 billion). Having been impacted in 2015 by the loss of its European fund, Waverton's AuM bounced back strongly in 2016. The performance of the equity markets post Brexit, combined with the fall in Sterling, were the main drivers behind the increase in Waverton's assets. In addition, in April 2016, Waverton completed the acquisition of 2CG Senhouse ("2CG"), a specialist fund company, which enabled Waverton to broaden their fund product offering including 2CG's highly rated European and Asian funds.

For the year ended September 30, 2016, Waverton earned revenue of £32.8 million (2015: £31.3 million), EBITDA of £8.1 million (2015: £7.6 million) and operating profit before tax of £7.9 million (2015: £7.4 million). As at September 30, 2016, Waverton had net debt of £5.0 million (2015: £11.8 million). During the year, Waverton paid dividends to Somers totalling £0.63 million.

Somers' investment in Waverton has been valued based on peer comparisons using an EV/EBITDA valuation methodology. Over the course of the year, Waverton's assessed maintainable EBITDA increased to £9.7 million from £6.4 million a year earlier while the peer multiple remained unchanged at 10.8. The net result was a significant increase in the value of Somers' investment in Waverton to £57.2 million from £34.4 million a year earlier.

In September 2015, Andrew Fleming commenced as Chief Executive of Waverton. Andrew had previously been Chief Executive of Cumulus Group, and from 2005 to 2013, he was Chief Executive and Chief Investment Officer of Aegon Asset Management where he was instrumental in transforming both investment performance and profitability. To date, Andrew has focused on streamlining Waverton's investment process whilst ensuring that its unique client offering is maintained.

The financial prospects for Waverton in 2017 are primarily dependent on the performance of the equity markets. However, the recent performance combined with their budget for 2017 indicate that the underlying value of the business has materially improved. As Waverton continues to pay down its debt in the current financial year (£5.0 million as at September 30, 2016) the business will be strongly cash generative and be in a position to return capital to its shareholders.

Ascot Lloyd is an Independent Financial Adviser ("IFA") with a number of offices across the UK. On a fully diluted basis, Somers is interested in 49% of Ascot Lloyd.

Following the acquisition in 2014 of the assets of a subsidiary of IFG Group plc and the assets of PFP Group in 2015, Ascot Lloyd's AuA has increased to £2.5 billion as at September 30, 2016 (2015: £1.9 billion). Recurring income has grown to approximately £10.6 million (2015: £8.9 million) which indicates the underlying strength of the business. For the nine months ended September 30, 2016, Ascot Lloyd reported unaudited revenue of £14.0 million, gross profit of £6.9 million and EBITDA of £2.8 million. Somers' investment in Ascot Lloyd is valued at £12.6 million as at September 30, 2016, slightly below the 2015 level. The decrease in the valuation is due to a fall in the maintainable EBITDA which has been caused by the business focusing on the integration of its two recent acquisitions. During the year, Somers invested £1.2 million to fund a small acquisition and to provide general working capital.

Ascot Lloyd looked to complete an IPO post the year end which would have resulted in Somers' loans being repaid and our convertible loan notes being converted. However, due to unsettled UK IPO market conditions as a result of Brexit and the consequent depreciation in the value of Sterling, Ascot Lloyd was not able to complete its intended IPO. The opportunity for the business to continue to grow in a consolidating sector remains. Somers is having discussions with Ascot Lloyd's management about the medium to long term strategy for the business and is undertaking a strategic review of the business. We anticipate that 2017 will show solid growth in the core business and there remain a number of opportunities to further consolidate the smaller UK IFAs.

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 strong year for West Hamilton with the highlight being the completion of the award winning Belvedere Residences, a mixed use building comprising 9 residential apartments, a penthouse commercial space and a ground floor gym with squash court. All of the residential units have either been sold or are on long term leases, and the commercial space is on a long term lease. With the building being completed on time and on budget, combined with the success of attracting tenants, West Hamilton is evaluating the best use of its remaining site including the possible construction of a sister building to the Belvedere Residences.

For the year ended September 30, 2016, West Hamilton reported pleasing results with gross operating income of $2.1 million (2015: $2.1 million). The company reported net income for the year of $0.6 million (2015: $0.8 million). Total assets amounted to $40.1 million (2015: $30.8 million). A recent independent third party valuation valued the property at $63.7 million. Total liabilities increased from $10.0 million at the end of 2015 to $18.6 million at the end of 2016 due to the increase in debt to fund the development of the residential building. Shareholders' equity increased by $0.7 million and the book value per share assuming that market value is used, would be $16.26. Somers' investment in West Hamilton has been valued using the fair value of the Company's identifiable assets and liabilities and is valued at $27.0 million as at September 30, 2016. Post the year end, the Belvedere Residences were awarded the overall win in the Bermuda Commercial Division of the 2017 Building/Interior Design Awards.

MJ Hudson is a UK based specialist law firm and asset management services provider. MJ Hudson was founded in 2010 as a law firm for the alternative asset management and investment industry. Both through acquisition and organic growth, MJ Hudson is now a multi-services and infrastructure business, a one-stop outsourcer for asset managers and investors encompassing legal, operating and regulatory, fiduciary, administration and reporting, and investor relations services.

During the year, Somers invested a total of £3 million in stepped bonds which have the right to convert into equity in MJ Hudson. Upon conversion, the full £3 million investment would represent 13% of the enlarged share capital of MJ Hudson. Somers' investment was used to fund general working capital. For the three months ended September 30, 2016, MJ Hudson recorded unaudited revenue of £2.8 million and EBITDA of £0.5 million. Somers investment in MJ Hudson is valued at cost given the proximity of the investment to the year end.

Whilst not a pure financial services company, the attraction for Somers of MJ Hudson was their entrepreneurial management, strong business model which addresses a number of key areas in the asset management industry and the opportunities that MJ Hudson could present to the other Somers' investee companies. There are already a number of areas where MJ Hudson is interacting and introducing business to other Group companies.

Merrion is an independent Irish financial services firm in which Somers has a 23% equity interest. Merrion has a number of revenue streams including Private Clients, Retail Asset Management, Fixed Income, Corporate Finance and Merrion Investment Management ("MIM"). The two main business lines are MIM (institutional asset management) and Private Clients/Stockbroking.

As at September 30, 2016, MIM had approximately €752 million assets under management (2015: €790 million) and Merrion's private client business manages approximately €856 million (2015: €694 million) of private client funds across 3,546 accounts, mainly on an advisory and execution only basis. For the nine months ended September 30, 2016, Merrion recorded unaudited revenue of €11 million and normalised EBITD of €0.1 million. Somers investment in Merrion is valued at €2.8 million as at September 30, 2016.

Merrion's fixed income business continues to be impacted by market conditions but MIM's 2016 market performance has been strong and this remains an area where the company is looking to grow. Merrion is working with a number of

INVESTMENT MANAGER'S REPORT (continued)

Somers' investee companies to create both revenue and cost synergies and we anticipate that this will result in positive results in 2017.

Stockdale is a London based corporate and institutional stockbroking group in which Somers has a 75% interest.

Stockdale's trading performance in 2016 has been positive which is a pleasing improvement from 2015. During the year, Stockdale's debt was restructured and the fixed cost base was reduced. Employees now have the opportunity to own a significant part of the company depending on performance and as such the business has been profitable for the last number of months. Stockdale employees currently own 25% of the company. Should Stockdale achieve its profitability hurdles over the next 2 years, employees' interest in Stockdale will increase to 45%, reducing Somers interest to 55% at that time.

The number of corporate transactions completed by Stockdale has increased whilst the secondary commission market continues to undergo a secular change. The business is now focused on areas of the market that are profitable. As at September 30, 2016, Stockdale had 63 corporate clients generating recurring retainer revenue of approximately £2.5 million per annum. During the 2016 financial year Stockdale generated £4 million in corporate finance fees and £2.2 million in trading and commission revenue.

For the year ended September 30, 2016, Stockdale reported revenue of £8.7 million (2015: £10.2 million) and an operating loss of £0.4 million (2015: operating loss of £1.0 million). Somers' investment in Stockdale as at September 30, 2016, is valued at £1.0 million.

Whilst the business is improving, the prospects for 2017 will be dependent on the UK IPO market remaining 'open' and the stock market in general maintaining a positive performance.

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, 2016, was $8.7 million (2015: $10.4 million).

Gearing and Bank Debt

September 30, 2016, gearing (excluding the convertible loan notes issued as consideration for the RESIMAC acquisition) stood at 11.5% (2015: 2.9%). This reflects an increase in total debt from $6.0 million to $26.5 million (excluding convertible loan notes) together with an increase in shareholders' equity to $230.4 million from $209.2 million. During the year, the Company bought back 18,843 shares at an average price of $13.14 costing $0.2 million.

The total debt figure as at September 30, 2016, of $26.5 million is split between $8.4 million of bank debt and $18.1 million of shareholder debt. Bank debt is split between a $5.0 million (2015: $6.0 million) loan facility provided by The Bank of N.T. Butterfield & Son Limited and which expires on August 31, 2017, and a $3.5 million (2015: $Nil) overdraft facility at BCB.

In addition, Somers' major shareholder, UIL Limited, has provided debt of $18.1 million to Somers which has been used primarily to make follow on investments in Ascot Lloyd and new investments in MJ Hudson.

Revenue Returns

The majority of Somers' returns are expected to be capital in nature. However, 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 $2.0 million, equal to the $2.0 million recorded last year. Management fees were $0.5 million (2015: $0.5 million) and no performance fee was earned in 2016.

The Company reported a profit for the year of $32.3 million (2015: loss of $4.1 million). The resultant profit per share was $2.70. The Company has declared a final dividend of $0.26 per share bringing the total dividend for the year to $0.44 per share.

ICM'S INVESTMENT PHILOSOPHY

ICM'S INVESTMENT PHILOSOPHY (continued)

ICM is a value investor and generally operates focused portfolios which usually have 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 directly has approximately $2.0 billion of assets directly under management and $16.0 billion indirectly under management.

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

Somers seeks to use ICM's investment abilities to both identify and make investments in the wider financial services sector, including FinTech and PayTech. The investments usually offer a mix of compelling value 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.

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

Neither Somers nor ICM has the management team to step in and manage investee companies. Furthermore, Somers is not a private equity investor. We do 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 – without a route map the business will under achieve
- Be agile and exploit business opportunities
- Address their business risks
- Have their own DNA and character
- Be agile and exploit the opportunities created by technology
- Seek internal and group synergies but remain independent

Somers encourages its investee companies to collaborate on both commercial and revenue opportunities and identify and action gradual cost savings. Somers looks to optimise each investee company by seeking a sharing of knowledge and experience with a view to achieving more than they could independently. Areas of collaboration include cyber security, regulation, risk and compliance and FinTech. By establishing a like-minded open and constructive dialogue with investee companies the opportunity to thrive and grow is 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, supportive framework in which businesses can thrive. Somers will use its knowledge, acumen, financial support and 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.

SOMERS' STRATEGY

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

The Company's primary objective is to deliver superior shareholder total returns through either capital appreciation and/or income, which in turn can be expected to be reflected in the growth of the share price. To achieve this, the Company seeks to invest in undervalued companies within the financial services sector and has the flexibility to make investments in a range of financial related sectors and markets. The Company will identify and invest in opportunities where the underlying value is not reflected in the market or purchase price. The perceived undervaluation may arise from a variety of factors including the limited number of potential buyers, the paucity of bank lending to smaller financial service companies and an abundant supply of financial service companies for sale as banks continue to deleverage in response to the global credit crisis. Somers will 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 origination. There is bias towards fund and asset management due to its annuity style income, lower capital requirements, less onerous albeit increasing regulatory requirements, solid returns, the projected sector growth and the wider Group's experience in this area.

"Somers is a long term investor focused on the financial services sector."

An emerging area of interest for the Company is FinTech. We are seeing dramatic changes in the global financial ecosystem and given the Investment Manager's knowledge, experience and track record in the FinTech and PayTech sectors, we are reviewing how best to unlock value in this area for Somers; whether through new investments or our existing investee companies making use of new disruptive technology.

Somers will generally look to achieve a controlling or strategic position but is equally comfortable with a portfolio position if the purchase price or investment instrument is sufficiently attractive. The Company 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, the Company 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, technology, cyber security, compliance, regulation and finance.

Somers does not expect to trade its core investments. It aims to be supportive of its investee companies, maintain regular dialogue with the management, nuture its investments 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. The Company has appointed ICM Limited ("ICM") to manage the portfolio in accordance with the Board's strategy of generating capital growth and income return. Details about the ICM

SOMERS' STRATEGY (continued)

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 service providers who may be associates of Somers. 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 monitor and manage all investments from the point of origination. Portfolio companies are managed through monthly management information 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 risk and exposure to specific geographies, economic sectors and asset classes.

Borrowing

Portfolio investments are generally funded with a mixture of debt and shareholders' funds in order to maximise returns to shareholders. Leverage increases the potential returns and risk to shareholders and recourse to external borrowings will only be undertaken if the Directors and the Investment Manager consider the terms and conditions attaching to such borrowings are acceptable, having regard to the investment objective and policy of the Company. The Company will be indirectly exposed to borrowings to the extent that entities within the investment portfolio are themselves leveraged. Borrowings will be drawn down in US Dollars, Sterling or a 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 is able to 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 the Company's 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 taking into account historic and anticipated profits, cash flow and financial conditions. The Board will consider net debt levels and debt service obligations of the Company 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. There is a dividend investment plan allowing for the reinvestment of dividends that is available to all stakeholders.

INVESTMENT MANAGER AND TEAM

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

ICM is a Bermuda headquartered fund manager and corporate finance adviser. Other ICM clients include UIL Limited and Utilico Emerging Markets Limited, both listed on the London Stock Exchange, and Bermuda Commercial Bank Limited.

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. ICM manages some $2.0 billion directly and has indirect involvement in over $16.0 billion in a range of mandates. ICM has over 40 staff based in offices in Bermuda, Cape Town, Dublin, Hong Kong, London, Melbourne, Singapore and Wellington. The investment teams are led by Charles Jillings and Duncan Saville, who are both directors of ICM.

The Directors believe that ICM have performed consistently since their appointment by the Company. 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.

INVESTMENT MANAGER AND TEAM (continued)

Alasdair Younie

Alasdair Younie joined the ICM Group in 2010. He is a Director of ICM Limited and is based in Bermuda. Alasdair has extensive experience in financial markets and corporate finance and is responsible for the day to day running of 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, Bermuda First Investment Company Limited and West Hamilton Holdings Limited. He is a Member of the Institute of Chartered Accountants in England and Wales.

Greg Reid

Greg Reid joined the ICM Group in 2014, and is a Director of ICM Capital Research Limited and 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. Previous to that, he was the Controller with a Bermuda based provider of accounting services to the hedge fund industry. Greg is a member of the Institute of Chartered Accountants in Ireland and has a number of years' experience in the auditing industry with Deloitte in Ireland. Greg holds an honours degree in Business Studies from the University of Limerick, Ireland.

Duncan Saville

Duncan Saville founded the ICM Group and has been employed by ICM and its predecessor companies since 1988. He is a chartered accountant with experience in corporate finance and asset management. He is an experienced non-executive director having previously been a director in multiple utility, investment and technology companies. He is currently a Non-Executive Director of New Zealand Oil and Gas Limited, Cue Energy Resources Limited, Touchcorp Limited and West Hamilton Holdings Limited. His Fellowships include the Institute of Chartered Accountants Australia and New Zealand.

Charles Jillings

Charles Jillings joined the ICM Group in 1995, and established ICM Investment Research Limited in 1997 and ICM Investment Management Limited in 2015. He is an Executive Director of ICM Limited, ICM Investment Research Limited and ICM Investment Management Limited. Charles 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 responsible for the day to day running of UIL Limited and Utilico Emerging Markets Limited. Charles is currently a Non-Executive Director of Waverton Investment Management Limited, Stockdale Securities Limited, Merrion Limited and Keytech Limited.

Sandra Pope

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

SIGNIFICANT INVESTMENTS

2016	2015	COMPANY Description	FAIR VALUE US$	% OF TOTAL INVESTMENTS
1	(1)	**Bermuda Commercial Bank Limited** Banking	105,962,665	31.9%
2	-	**Homeloans Limited (previously RESIMAC Limited)** Non-bank Lender	91,419,879	27.5%
3	(2)	**Waverton Investment Management Limited** Private Wealth Management	74,268,605	22.4%
4	(3)	**West Hamilton Holdings Limited** Property Investment and Management	26,982,875	8.1%
5	(4)	**Ascot Lloyd Holdings Limited** Independent Financial Adviser	16,387,356	4.9%
6	-	**MJ Hudson** Legal Services	3,893,100	1.2%
7	(5)	**Merrion Capital Holdings Limited** Financial Services	3,183,465	1.0%
8	(6)	**Stockdale Securities Limited** Stockbroking and Corporate Finance	1,236,129	0.4%
		Significant Investments	323,334,074	97.4%
		Other investments	8,704,197	2.6%
		Total Portfolio	332,038,271	100.0%

SUMMARY OF SIGNIFICANT INVESTMENTS

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

BCB
Bermuda Commercial Bank Limited

BERMUDA COMMERCIAL BANK LIMITED ("BCB")

www.bcb.bm

Hubert Esperon, CEO – joined BCB in September 2016 having previously been employed by GE for 20 years within GE Capital Structured Finance, GE Capital Leverage Finance and GE Equity. Latterly he was CEO of GE Artesia Bank in the Netherlands and Chairman of Aegean Baltic Bank.

Lasantha Thennakoon, CFO – joined BCB in May 2014. Prior to being employed by BCB, he worked as a senior finance professional in the banking sector in the Asia Pacific region including as CFO of Fiji Development Bank and the Bank of Maldives.

BCB was formed by an Act of Parliament in February 1969 when it operated under the management of Barclays Bank plc. In October 2012, BCB became a wholly owned subsidiary of Somers when a new holding company was formed and BCB's shareholders became shareholders in Somers on a one for one share swap.

BCB is one of the four licensed banks in Bermuda but is the only one dedicated solely to the needs of commercial, corporate and high net worth clients. BCB offers a full array of banking solutions, including private banking and wealth management, business banking, corporate administration, global custody and brokerage, estate planning, trust administration and through its 73% holding in London listed PCFG, asset financing.

For the year ended September 30, 2016, BCB reported a loss of $6.6 million (2015: profit of $8.0 million), total customer deposits of $453.8 million (2015: $505.4 million), total assets of $649.0 million (2015: $759.7 million) and shareholder funds of $103.9 million (2015: $109.5 million). As at September 30, 2016, BCB's Tier 1 and total capital ratios were 21.8% (2015: 21.1%) and 21.8% (2015: 21.1%) respectively. During the year, BCB paid dividends of $2.5 million (2015: $1.6 million).

HOMELOANS LIMITED ("HOMELOANS")

www.homeloans.com.au

Scott McWilliam, Co-CEO – Scott has been employed by Homeloans since 2004 and has held various senior executive roles including Chief Operating Officer and Head of Funding and Investments. Prior to joining Homeloans, Scott held senior roles at Deutsche Bank in London and Sydney and Citibank in London, in the area of Debt Capital Markets. Scott has worked in Financial Services since 1996.

Mary Ploughman, Co-CEO – Mary commenced with RESIMAC in November 2002 where she assumed overall responsibility for funding the RESIMAC securitisation business which entails managing RESIMAC's key relationships with its bank funders, investors, government and rating agencies.

Somers acquired 79% of RESIMAC immediately prior to the year end. Post the year end, RESIMAC merged with Homeloans and Somers became a 59% shareholder in ASX listed Homeloans. Homeloans is a leading non-bank lending and multi-channel distribution business in Australia and New Zealand with a loan portfolio in excess of A$8 billion and an additional A$5 billion under administration. Its primary activities are originating, servicing and securitising mortgage assets.

RESIMAC commenced operations in 1985 when it was established by the New South Wales State Government of Australia to service and securitise residential loans for HomeFund, a New South Wales government housing program (then operated under the name of FANMAC Limited). Its primary activities involve originating, servicing and securitising mortgage assets. It has issued more than A$19 billion through 36 domestic and international RMBS issues and is one of the few financial institutions to have met bond redemptions on the first call date. RESIMAC was the second largest issuer of Australian RMBS in 2016 with a $2.2 billion.

The combination of Homeloans and RESIMAC, on a pro forma basis, would have reported total income of A$90 million and profit after tax of A$15.7 million (US$11.9 million) for the year ended June 30, 2016.

SUMMARY OF SIGNIFICANT INVESTMENTS (continued)

WAVERTON
INVESTMENT MANAGEMENT

WAVERTON INVESTMENT MANAGEMENT LIMITED ("WAVERTON")

www.waverton.co.uk

Andrew Fleming, CEO – joined Waverton in September 2015, was formerly Chief Executive of Cumulus Group, and from 2005 to 2013 was Chief Executive and Chief Investment Officer of Aegon Asset Management.

David Welch, FD – joined Waverton in 1997 and became Finance Director in July 2009.

Waverton was founded in 1996. In August 2013, Somers, in conjunction with Waverton's management and staff, acquired Waverton from Credit Suisse AG for a total cash consideration of £50.0 million ($80.9 million). Somers owns 62.5% of Waverton with employees owning the balance.

Waverton is a London based specialist investment manager which focuses on discretionary portfolio management for private clients, charities and institutions as well as offering a suite of in-house managed investment funds. Waverton is the investment manager to 13 specialist funds and has 122 employees including 26 portfolio managers and 7 assistant portfolio managers.

Waverton had AuM of £5.0 billion as at September 30, 2016 (2015: £4.3 billion). For the year ended September 30, 2016, Waverton earned revenue of £32.8 million (2015: £31.3 million), EBITDA of £8.1 million (2015: £7.6 million) and operating profit before tax of £7.9 million (2015: £7.4 million). During the year, Waverton paid Somers a dividend of £0.63 million (2015: £0.63 million).

ASCOT LLOYD HOLDINGS LIMITED ("ASCOT LLOYD")

www.ascotlloyd.co.uk

Richard Dunbabin, CEO – acquired the majority interest in Ascot Lloyd in 2003. Prior to acquiring his investment, he was a consultant with Marsh & Mclennan's e-Business and product distribution division.

Pat O'Hara, Managing Director – has been involved in the independent financial advisory business since 1991 when he founded the IFA firm, Professional Intermediary Services. Prior to this, he was a consultant with Sun Life Assurance.

The origins of Ascot Lloyd date back to the 1930s. Following a corporate transaction in 2003, the company was renamed Ascot Lloyd Financial Services Limited. Somers is interested in £6.5 million 6% convertible loan notes and £4.5 million of loans. On a fully diluted basis, Somers would be interested in 49% of Ascot Lloyd.

Ascot Lloyd is an IFA with a number of offices across the UK. The company provides a financial planning service for personal and corporate clients incorporating the use of protection products, investment products, pension planning and tax planning.

For the nine months ended September 30, 2016, Ascot Lloyd reported unaudited revenue of £14.0 million (2015: £9.3 million), gross profit of £6.9 million (2015: £8.4 million) and EBITDA of £2.8 million (2015: £2.3 million). Recurring income is now £10.6 million (2015: £8.9 million) and assets under administration are £2.5 billion (2015: £1.9 billion).

SUMMARY OF SIGNIFICANT INVESTMENTS (continued)

WEST HAMILTON
HOLDINGS LIMITED

WEST HAMILTON HOLDINGS LIMITED ("WEST HAMILTON")

Harrichand Sukdeo, CFO – joined West Hamilton Limited as Chief Financial Officer in 2007. Prior to that he spent 10 years managing substantial construction contracts in the property market and has more than 20 years of experience in the insurance and finance sector.

West Hamilton is a Bermuda Stock Exchange listed property investment and management company with property assets in the west of Hamilton, Bermuda and in which Somers' equity interest is 57.1%.

West Hamilton's assets include a commercial building called the Belvedere Building, a 309 space car parking facility and award winning mixed used apartment building. The Belvedere Building is approximately 90% let, the car parking facility is 100% occupied with a significant waiting list and the mixed use apartment building, which was completed in August 2016, is 100% let with two units in the process of being sold. Post the year end, the Belvedere Building was awarded the overall win in Bermuda's Commercial Division of the 2017 Building/Interior Design Awards.

The company earned gross operating income of $2.1 million (2015: $2.1 million) in the year ended September 30, 2016, and reported net income for the year of $0.6 million (2015: $0.8 million) and total assets amounted to $40.1 million (2015: $30.8 million).

MJ HUDSON

MJ HUDSON GROUP LIMITED ("MJ HUDSON")

www.mjhudson.com

Matthew Hudson, Senior Partner – is the founder of MJ Hudson. He has over 25 years of Private Equity experience, both as a lawyer and as an investor. Prior to founding MJ Hudson, he co-founded the Private Equity Group of SJ Berwin and worked at a number of Private Equity houses including Coller Capital.

Peter Connell, CFO – joined in January 2014 having previously been Finance Director from 2009 to 2014 of Mayo Wynne Baxter LLP, a regional legal services firm based in East Sussex and prior to that, held various senior management roles at Hastings Direct.

MJ Hudson is a UK based specialist law firm and asset management services provider for the alternative asset management and investment industry. Through acquisition and organic growth, MJ Hudson has become a multi-services and infrastructure business, a one-stop outsourcer for asset managers and investors encompassing legal, operating and regulatory, fiduciary, administration and reporting, and investor relations services.

Somers has invested a total of £3 million in MJ Hudson via a convertible loan note which on conversion would represent 13% of the enlarged share capital of MJ Hudson. For the three months ended September 30, 2016, MJ Hudson recorded unaudited revenue of £2.8 million and EBITDA of £0.5 million.

SUMMARY OF SIGNIFICANT INVESTMENTS (continued)

merrion
CAPITAL GROUP

MERRION CAPITAL HOLDINGS LIMITED ("MERRION")

www.merrion-capital.com

Patrick O'Neill, CEO – previously worked as a fund manager for the Merrion Discovery Fund and as a Partner in First New York Securities, a New York based proprietary trading firm.

Ivan Fox, Non-Executive Chairman – has over 25 years of experience in the investment industry having held senior positions within a number of Irish asset management and investment management companies.

Merrion was established in 1999 as an independent financial services firm in Dublin providing stockbroking, corporate finance advisory and fund management services to a mainly domestic Irish client base. Somers has a fully diluted interest in Merrion of 23%.

Merrion has a number of revenue streams including Private Clients, Retail Asset Management, Fixed Income, Corporate Finance and Merrion Investment Management ("MIM"). Between MIM and the private client business, Merrion has approximately €1.6 billion of AuM (2015: €1.5 billion). For the nine months ended September 30, 2016, Merrion recorded unaudited revenue of €11.0 million (2015: €11.1 million) and normalised EBITDA of €0.1 million (2015: €0.9 million).

Stockdale

STOCKDALE SECURITIES LIMITED ("STOCKDALE")

www.stockdalesecurities.com

Mark Brown, Executive Chairman – joined Stockdale as Executive Chairman in November 2014. He was previously Chief Executive of Collins Stewart Hawkpoint and prior to that worked as the Global Head of Research for ABN AMRO and HSBC, and Chief Executive of ABN's UK equities business.

Andrew Proctor, CFO – joined Stockdale in July 2013. Previously he was CFO at N+1 Singer and served in a similar role in an international CFD house and has banking and capital markets businesses in Singapore and South Africa.

Stockdale was formed in 2004 with the demerger of Brown Shipley's corporate finance and broking business into a new company part owned by Kredietbank SA Luxembourgeoise. It was renamed Westhouse Holdings plc in 2010 and subsequently acquired Arbuthnot Securities in 2012. During the year, as part of a significant financial restructuring, the company was renamed Stockdale. As at September 30, 2016, Somers was interested in 75% of Stockdale.

Stockdale is a corporate and institutional stockbroking group with a focus on sectors such as growth companies and investment funds. Its targeted market is the small and mid-market capitalised companies listed in London and it generates its revenue through equity research, sales, trading and corporate finance, and broking revenues. As at September 30, 2016 Stockdale had 63 corporate clients generating recurring retainer revenue of approximately £2.5 million per annum. For the year ended September 30, 2016, Stockdale reported revenue of £8.7 million (2015: £10.2 million) and an operating loss of £0.4 million (2015: loss of £1.0 million). For the last 7 months of the financial year Stockdale has been profitable.

DIRECTORS

Warren McLeland *(Chairman)*

Warren McLeland is a Science and MBA graduate and former stockbroker and investment banker. He acts as an adviser in funds management and business strategy to companies operating in the Asia Pacific region. He is the former Executive Chairman of RESIMAC Limited and is currently a Non-Executive Director of UIL Limited and Homeloans Limited.

Charles Jillings

Charles Jillings joined the ICM Group in 1995, and established ICM Investment Research Limited in 1997 and ICM Investment Management Limited in 2015. He is an Executive Director of ICM Limited, ICM Investment Research Limited and ICM Investment Management Limited. Charles 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 responsible for the day to day running of UIL Limited and Utilico Emerging Markets Limited. Charles is currently a Non-Executive Director of Waverton Investment Management Limited, Stockdale Securities Limited, Merrion Limited and Keytech Limited.

David Morgan

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

Directors and Officers Interest in Somers' Share Capital

At September 30, 2016, the Directors of the Company and their related interests had interests in aggregate totalling 4,958,249 common shares representing approximately 41.0% of Somers' issued share capital. In addition, as consideration for the purchase of a majority stake of RESIMAC from Ingot, an entity controlled by Mr. Duncan Saville, Somers issued to Ingot convertible loan notes with a principal value of $88.5 million. The loan notes were issued to Ingot on September 29, 2016. The loan notes are convertible, at the option of Ingot, into 4,984,210 common shares of Somers Limited upon the receipt of certain regulatory approvals. No other rights to subscribe to shares or debt securities in the Company have been granted to, or exercised by, any Director of the Company.

Duncan Saville

Duncan Saville founded the ICM Group and has been employed by ICM and its predecessor companies since 1988. He is a chartered accountant with experience in corporate finance and asset management. He is an experienced non-executive director having previously been a director in multiple utility, investment and technology companies. He is currently a Non-Executive Director of New Zealand Oil and Gas Limited, Cue Energy Resources Limited, Touchcorp Limited and West Hamilton Holdings Limited. His Fellowships include the Institute of Chartered Accountants Australia and New Zealand.

Alasdair Younie

Alasdair Younie joined the ICM Group in 2010. He is a Director of ICM Limited and is based in Bermuda. Alasdair has extensive experience in financial markets and corporate finance and is responsible for the day to day running of 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, Bermuda First Investment Company Limited and West Hamilton Holdings Limited. He is a Member of the Institute of Chartered Accountants in England and Wales.

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. The Company 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

The Company's Board of Directors is responsible for overall stewardship of the Company, including corporate strategy, corporate governance, 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 the Company's 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 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 Company's objectives, policies and standards, considering any major acquisitions or disposals of portfolio companies, ensuring that the Company's obligations to shareholders and others are understood and complied with, approving accounting policies and dividend policy, managing the capital structure, setting long term objectives and strategy, assessing and managing risk, reviewing investment performance, monitoring the net borrowing position and consideration of the appropriate use of gearing, undertaking audit committee responsibilities, reviewing Directors' remuneration, undertaking nomination responsibilities and assessing the Investment Manager on an ongoing basis. The Board also seeks to ensure that shareholders are provided with sufficient information in order to understand the risk/reward balance to which they are exposed by owning the Company's 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 the Company's strategic objectives. Additionally, the investment management division of ICM 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 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 the Company and 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.

In the financial year ended September 30, 2016, the Board met each quarter to review the activities of the Company for that period and held a meeting devoted solely to strategic issues. Additional meetings were held at short notice to consider limited objectives. 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 the Company. The current Board has a breadth of experience relevant to the Company and a balance of skills, experience and age. Applicants are assessed on their range of skills, expertise and industry knowledge, and business and other experience. There were no changes to the Board during the year.

Board Committees

Due to the nature of the Company being an externally managed investment company with 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 the Company 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 the Company and the low number of transactions, it would not currently be appropriate to establish a separate audit committee.

Remuneration Committee

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

Nomination Committee

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

Going Concern

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 the Company 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 Directors 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.

BOARD RESPONSIBILITIES AND GOVERNANCE (continued)

Investment Management Arrangements

The Investment Manager is ICM and details of the Investment Management Team are found on page 23 of this report. Under an investment adviser agreement dated December 2014, the Company has agreed to pay ICM an annual fee for its advisory services equal to 0.50% of the gross asset value of Somers' financial investments, payable quarterly in arrears. The investment adviser agreement may by 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 adviser agreement is a performance fee payable to ICM if the growth in the Company's 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 the Company's shareholders' equity exceeds the hurdle rate. The growth in Somers' shareholders' equity did not exceed the hurdle rate in 2016 and therefore no performance fee was payable for the year ended September 30, 2016.

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 the Company's and 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 the Company. The Company Secretary assists the Board, with advice from the Company's 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 the Company are met. The Company Secretary is responsible for advising the Board on all governance matters.

Administration

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

Custody of Assets

The Company's listed investments are held in custody by JPMorgan and the Company's unlisted investments are held in custody by Bermuda Commercial Bank. Operational matters with these custodians are carried out on the Company's 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 42 for details on our 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 the Company. A financial announcement detailing the performance of the Company 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 appraised of all market commentary on the Company by the Investment Manager and other professional advisers. Through this process, the Board seeks to monitor the views of shareholders and ensure that the Company's communication programme is effective.

Members of the Board and the Investment Manager will 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 the Company are disclosed in the Directors' section on page 34 of this report. The Directors have declared any potential conflicts of interest to the Company. 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 Insurance

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

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 underpins 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 the Company. 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
- Indentifying and managing risks
- Monitoring investee companies

The Board meets four times a year to consider the quarterly risk review report prepared by ICM. It reviews financial reports, valuation reports and performance metrics. The effectiveness of the Company's 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, 2016, or subsequently up to the date of this annual report.

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

ICM Limited

The Board has delegated responsibility for day to day risk management to ICM subject to the overall policies, supervision, review and control of the Board. ICM review investment risk in the context of individual investee companies, overall portfolio composition, and acquisitions and disposal decisions. ICM monitor the operational and regulatory risks in the business and the related risk management controls and have responsibility for ensuring day to day compliance with the required standards of good corporate governance as well as oversight of all financial, regulatory and stock exchange reporting and management information.

ICM maintain the Company's 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.

Principal Risks

Most of the Company's principal risks are market-related. The Board carefully considers the Company's principal risks at its quarterly meetings and seeks to mitigate these risks through continual and regular review, policy setting, compliance with and enforcement of contractual obligations and active communication with ICM.

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

Investment Risk

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

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

The Company monitors the following significant investment risks; foreign currency risk, concentration risk, interest rate risk, leverage risk, liquidity risk, geographic and political risk, acquisition due diligence risk, conflict of interest risk, investee company business risk and economic environment risk.

Many of these factors are outside the Company's 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. The Company 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 18 of the audited financial statements for a more detailed discussion of the above principal risks and uncertainties.

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. The Company monitors the following business operational risks; regulatory risk, cyber risks, key personnel risk at our service providers, valuation of portfolio investments and in particular unquoted investments, credit risk, counterparty exposure, geo-political risk and disruptive technology.

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

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

The Company's 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. ICM and the Company's custodians maintain their own systems of internal controls and the Board receives regular risk reports from ICM.

OVERVIEW OF 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 required to be stated at fair value. At September 30, 2016, almost 99% of the Company's 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, 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 20, 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. 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 International Private Equity and Venture Capital valuation board which set out recommended practice for fair valuing unlisted investments within the IFRS framework. The valuation of unlisted investments require 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 the Company's external financial reporting process. The Board receives a detailed report from ICM's valuation team recommending a proposed valuation for each of the Company's investments. The report includes details of all material valuations, explanations for movements above agreed thresholds and confirmation of the valuation process adopted. Representatives of ICM and its valuation team are in attendance at these meetings to answer any questions the Board may have on the valuation process and the choice of valuation techniques and inputs. The Board reviews and challenges the assumptions behind the unlisted asset valuations.

Valuation Methodologies

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

Earnings Multiples

This is the Company's most commonly used valuation methodology and is used where the investment is profitable and where a set of comparable listed companies with similar characteristics to our holding can be determined. As our 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, the Company may use a revenue multiple approach if this is deemed more appropriate.

It is the Company's 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.

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, the Company may value the investment using cost for a limited period following the transaction, where the transaction represents fair value.

Please also refer to note 20 of the audited financial statements for more details on Somers' unlisted investments and the valuation methodologies adopted.

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors
of Somers Limited

We have audited the accompanying consolidated financial statements of Somers Limited and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at September 30, 2016 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended September 30, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2016 and its financial performance and its cash flows for the year ended September 30, 2016 in accordance with International Financial Reporting Standards.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
January 30, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(expressed in United States Dollars)

Notes	at September 30	2016 $	2015 $
	Assets		
17	Cash and cash equivalents	**751,940**	1,108,676
7	Other assets	**82,889**	34,682
17	Interest receivable	**356,995**	520,134
6, 17	Loans and receivables	**13,694,281**	4,461,285
3, 17	Financial investments	**332,038,271**	209,864,255
	Total assets	**346,924,376**	215,989,032
	Liabilities		
17	Interest payable	**107,638**	–
8, 17	Other liabilities	**1,409,263**	813,958
9, 17	Convertible loan notes	**88,519,562**	–
10, 17	Interest bearing loans and borrowings	**26,489,542**	6,000,000
	Total liabilities	**116,526,005**	6,813,958
	NET ASSETS	**230,398,371**	209,175,074
	Equity		
11	Capital stock	**1,211**	1,179
11	Contributed surplus	**166,915,045**	162,674,966
11	Treasury shares	**–**	–
	Accumulated other comprehensive loss	**(14,161,446)**	(3,838,932)
	Retained earnings	**77,643,561**	50,337,861
	TOTAL EQUITY	**230,398,371**	209,175,074

See accompanying notes.

Signed of behalf of the Board:

Warren McLeland
Chairman

David Morgan
Director

CONSOLIDATED STATEMENT OF INCOME

(expressed in United States Dollars)

Notes	for the year to September 30	2016 $	2015 $
	Income		
14, 17	Interest income	**1,069,332**	1,285,818
17	Interest expense	**(684,596)**	(204,322)
	Net interest income	**384,736**	1,081,496
17	Dividend income	**3,399,044**	2,587,780
15, 17	Gains (losses) on investments	**34,832,011**	(3,129,227)
	Net foreign exchange losses	**(4,154,241)**	(2,675,088)
	TOTAL INCOME	**34,461,550**	(2,135,039)
	Expenses		
17	Investment management fees	**538,145**	534,783
17	Legal and professional fees	**561,588**	659,083
	Audit and accounting fees	**273,482**	327,334
17	Directors' fees	**65,000**	67,333
17	General and administrative expenses	**455,120**	387,923
	TOTAL EXPENSES	**1,893,335**	1,976,456
	Net income (loss) before tax	**32,568,215**	(4,111,495)
16	Income tax expense	**(278,121)**	(19,203)
	NET INCOME (LOSS)	**32,290,094**	(4,130,698)

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(expressed in United States Dollars)

Notes	at September 30, 2016	2016 $	2015 $
	Net income (loss) for the year	**32,290,094**	(4,130,698)
	Other comprehensive loss		
	Exchange differences on translation of foreign operations	**(10,183,051)**	(4,095,406)
	Net unrealised loss on available-for-sale financial investments	**(125,834)**	(22,096)
	Reclassification of gains on available-for-sale financial investments realised in net income	**(13,629)**	(179,221)
	Other comprehensive loss	**(10,322,514)**	(4,296,723)
	TOTAL COMPREHENSIVE INCOME (LOSS)	**21,967,580**	(8,427,421)

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(expressed in United States Dollars)

at September 30, 2016

Notes		Capital Stock $	Contributed Surplus $	Treasury Stock $	Other Comprehensive Income (Loss) $	Retained Earnings $	Total $
	October 1, 2014	1,130	155,685,600	(143,580)	457,791	59,109,665	215,110,606
	Net loss for the period	–	–	–	–	(4,130,698)	(4,130,698)
	Other comprehensive loss	–	–	–	(4,296,723)	–	(4,296,723)
11	Issue of share capital	30	4,166,328	–	–	–	4,166,358
11	Exercise of warrants	24	3,452,274	–	–	–	3,452,298
11	Net purchase of treasury stock	–	–	(485,661)	–	–	(485,661)
11	Cancellation of treasury stock	(5)	(629,236)	629,241	–	–	–
13	Dividends	–	–	–	–	(4,641,106)	(4,641,106)
	September 30, 2015	**1,179**	**162,674,966**	–	**(3,838,932)**	**50,337,861**	**209,175,074**
	Net loss for the period	–	–	–	–	32,290,094	32,290,094
	Other comprehensive loss	–	–	–	(10,322,514)	–	(10,322,514)
11	Issue of share capital	30	4,487,661	–	–	–	4,487,695
11	Exercise of warrants	–	–	–	–	–	–
11	Net purchase of treasury stock	–	–	(247,584)	–	–	(247,584)
11	Cancellation of treasury stock	(2)	(247,582)	247,584	–	–	–
13	Dividends	–	–	–	–	(4,984,394)	(4,984,394)
	September 30, 2016	**1,211**	**166,915,045**	–	**(14,161,446)**	**77,643,561**	**230,398,371**

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

(expressed in United States Dollars)

Notes	for the year to September 30	2016 $	2015 $
	Operating activities		
	Net income (loss)	**32,290,094**	(4,130,698)
	Adjustments to reconcile net income (loss) to cash flows provided by (used in) operating activities:		
	(Gains) losses on investments	**(34,832,011)**	3,129,227
	Foreign exchange losses on investments	**3,080,137**	2,363,461
	Decrease (increase) in interest receivable	**163,139**	(434,131)
	(Increase) decrease in other assets	**(48,207)**	170,483
	Increase (decrease) in interest payable	**107,638**	(25,890)
	Increase (decrease) in other liabilities	**595,305**	(4,129,283)
	Net cash provided by (used in) operating activities	**1,356,095**	(3,056,831)
	Investing activities		
	Net (increase) decrease in loans and receivables	**(9,232,996)**	326,474
	Proceeds from sale of financial investments	**5,803,290**	25,897,526
	Purchases of financial investments	**(18,028,384)**	(27,266,800)
	Net cash used in investing activities	**(21,458,090)**	(1,042,800)
	Financing activities		
	Net increase in interest bearing loans and borrowings	**20,489,542**	2,500,000
	Proceeds from issue of shares	**4,487,695**	7,618,656
	Net purchase of treasury stock	**(247,584)**	(485,661)
	Dividends paid	**(4,984,394)**	(4,641,106)
	Net cash provided by financing activities	**19,745,259**	4,991,889
	Net (decrease) increase in cash and cash equivalents	**(356,736)**	892,258
	Cash and cash equivalents, beginning of year	**1,108,676**	216,418
	Cash and cash equivalents, end of year	**751,940**	1,108,676
	Non-cash investing and financing activities		
	Purchase of financial investments by issuance of convertible loan notes	**88,519,562**	–

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 a number of investments in the financial services sector. Somers was incorporated on April 13, 2012.

Somers' registered office is at 34 Bermudiana Road, Hamilton HM 11, Bermuda.

Somers is engaged in a single segment of business, focusing on maximising shareholder returns by identifying and investing in investments where the assessed underlying value is not reflected in the market price.

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

As at September 30, 2016, the significant shareholders (the "Investor Group") in the Company, who held, in aggregate 89.59% (2015: 89.18%) of Somers' issued share capital, are as follows:

- UIL Limited ("UIL") 49.75% (2015: 49.52%) which is incorporated in Bermuda;
- Permanent Investments Limited ("Permanent") 34.36% (2015: 34.20%) which is incorporated in Bermuda; and
- Permanent Mutual Limited ("Permanent Mutual") 5.48% (2015: 5.46%) which is incorporated in Bermuda.

These financial statements were authorised for issue in accordance with a resolution of the directors on January 30, 2017.

The Company has been deemed to meet the definition of an investment entity per IFRS 10 as it meets 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 investments is measured and evaluated on a fair value basis.

Further, the following characteristics which are typical of an investment entity are all present:

- The Company has more than one investment, and more than one investor.
- The Company has investors who are not its related parties.
- The Company has ownership interests in the form of equity.

The Company believes that accounting for its investments at fair value through profit and loss provides more relevant and useful information to the users of the financial statements and, from July 1, 2014, early adopted *Investment Entities (Amendments to IFRS 10, IFRS 12, and IAS 27)* (the "Amendments"). The Amendments exempt an investment entity from consolidating its subsidiaries unless those subsidiaries provide services directly related to the parent company's investment activities. Non-consolidated subsidiaries are measured at fair value through profit and loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.*

The financial statements comprise the consolidated results of Somers, SI Asset Management Sarl, Somers Luxembourg Sarl, Somers UK (Holdings) Limited, Somers Pte. Ltd, Somers Treasury Pty Ltd and Somers AM Pty Ltd. Details of the non-consolidated subsidiaries and associates are included in notes 4 and 5 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 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.

2.2 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.

2.3 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 18.

2.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company, SI Asset Management Sarl, Somers Luxembourg Sarl, Somers UK (Holdings) Limited, Somers Pte. Ltd, Somers Treasury Pty Ltd and Somers AM Pty Ltd. All intercompany balances and transactions are eliminated in full on consolidation. Non-consolidated subsidiaries, and associate undertakings held as part of the investment portfolio are carried at fair value through profit or loss and accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

2.5 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 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 fair values. The judgments include considerations of liquidity and model inputs such as revenue, EBITDA, estimated future cashflows, 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 20.

Impairment Losses on Loans and Advances

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

Impairment of Available-for-Sale Financial Investments

The Company reviews its securities classified as available-for-sale at each reporting date and more frequently when conditions warrant an impairment assessment. This requires similar judgments as those applied to the individual assessment of loans and advances.

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

2.6 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(expressed in United States Dollars)

assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into United States Dollars at historic rates or the rates of exchange prevailing at the dates of the transactions.

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

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

2.7 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.

2.8 Financial Instruments – Initial Recognition and Subsequent Measurement

Date of Recognition

All financial assets and financial liabilities are initially recognised on the trade date basis, which is the date that the Company becomes a party to the contractual provisions of the instrument. This includes purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

Initial Recognition of Financial Instruments

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

The Company classifies its financial assets into the following categories:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments in portfolio funds are initially recorded at cost and then carried at their net asset value (NAV) per unit at the consolidated financial position date which, if there are no restrictions on their redemption, represents the fair value of the investment.

2.9 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(expressed in United States Dollars)

Financial Liabilities

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

2.10 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 20.

2.11 Impairment of Financial Assets

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

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

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

Financial Assets at Amortised Cost

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

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

Available-for-Sale Financial Investments

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

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

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

2.12 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount of the asset is calculated as the greater of its value in use and its fair value less costs to sell. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.13 Derivative Financial Instruments

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

Derivatives are carried at fair value and presented in the consolidated statement of financial position on a gross basis. These include exchange traded options, warrants and other derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. An embedded derivative is a component of a hybrid instrument that includes a non-derivative host contract, with the effect that some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivative. When an embedded derivative is separated, the host contract is accounted for based on accounting standards applicable to contracts of that type without the embedded derivative.

2.14 Interest-Bearing Loans and Borrowings

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

2.15 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.

2.16 Expenses

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(expressed in United States Dollars)

2.17 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.

2.18 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 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.

2.19 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.

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

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company except for IFRS 9 'Financial Instruments'. IFRS 9 'Financial Instruments' could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

3. FINANCIAL INVESTMENTS

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

at September 30, 2016	**2016** **$**	2015 $
Financial assets at fair value through profit or loss		
Equity investments	**307,630,037**	188,816,911
Debt securities	**20,280,456**	20,192,084
Total	**327,910,493**	209,008,995
Available-for-sale financial assets		
Equity investments	**4,127,778**	855,260
Total	**4,127,778**	855,260
Total financial investments	**332,038,271**	209,864,255

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

at September 30, 2016	2016 $	2015 $
Financial assets at fair value through profit or loss		
Fair value at beginning of year	**209,008,995**	215,458,189
Purchase of investments	**102,787,022**	27,266,800
Proceeds from disposal of investments	**(5,768,950)**	(24,169,928)
Net fair value movement in the year (including foreign exchange gains and losses)	**21,883,426**	(9,546,066)
Fair value at end of year	**327,910,493**	209,008,995
Available-for-sale financial assets		
Fair value at beginning of year	**855,260**	2,826,203
Purchase of investments	**3,760,924**	–
Proceeds from disposal of investments	**(34,340)**	(1,727,598)
Net fair value movement in the year (including foreign exchange gains and losses)	**(454,066)**	(243,345)
Fair value at end of year	**4,127,778**	855,260
Total financial investments	**332,038,271**	209,864,255

4. SUBSIDIARY UNDERTAKINGS

The following were consolidated subsidiary undertakings of the Company at September 30, 2016 and September 30, 2015.

at September 30, 2016	Country of operation, registration and incorporation	Holdings and voting rights 2016	2015
Somers AM Pty Ltd	Australia	100%	100%
Somers Treasury Pty Ltd	Australia	100%	100%
SI Asset Management S.a.r.l.	Luxembourg	100%	100%
Somers Luxembourg S.a r.l.	Luxembourg	100%	100%
Somers Pte. Ltd	Singapore	100%	100%
Somers UK (Holdings) Limited	United Kingdom	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(expressed in United States Dollars)

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

Details of these undertakings are as follows:

	Country of registration, incorporation and operations	Number of ordinary shares held	Percentage of ordinary shares held
Bermuda Commercial Bank Limited ("BCB")	Bermuda	7,003,318	100%
RESIMAC Limited ("RESIMAC")	Australia	18,062,467	81.25%
RESIMAC Treasury Services (UK) Ltd ("RTSL")	UK	100	100%
Stockdale Securities Limited ("Stockdale")	UK	1,559,984,735	(1) 75.00%
Waverton Investment Management Limited ("Waverton")	UK	10,750,000	62.50%
West Hamilton Holdings Limited ("West Hamilton")	Bermuda	1,659,390	57.06%

(1) The shares held by Somers as of September 30, 2016, confer the right to 75% of the economic, voting and other rights attaching to the entire issued share capital of Stockdale irrespective of the number of shares in issue.

At September 30, 2015 Somers held 490,452 (2.21%) of RESIMAC's common shares. In September 2016 Somers acquired from Ingot Capital Management Pty Limited ("Ingot") 17,572,015 (79.04%) of RESIMAC's common shares bringing its total holding to 18,062,467 (81.25%) as at September 30, 2016.

As disclosed in note 21, RESIMAC merged with Homeloans Limited ("Homeloans") effective October 25, 2016.

Ingot is a related party through common ownership with the Company. Transactions with related party undertakings are disclosed in note 9 and 17.

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, 2016:

	Ascot Lloyd Holdings Limited ("Ascot Lloyd")	Incol Limited ("Incol")	Merrion Capital Holdings Limited ("Merrion")	Somers and Partners Pty Ltd ("Somers and Partners")
Country of registration, incorporation and operations	UK	Ireland	Ireland	Australia
Number of ordinary shares held	0	100,000	12,312	1,200,000
Percentage of ordinary shares held	(1) 0%	23.81%	22.57%	(2) 30%

	£ (3) **(Unaudited)**	**€** (4) **(Unaudited)**	**€** (5) **(Unaudited)**	**A$** (6) **(Unaudited)**
Associate's statement of financial position:				
Current assets	3,231,702	96,437	15,695,390	1,559,843
Non-current assets	21,992,647	–	1,731,583	3,931,047
Current liabilities	(3,056,191)	(270,200)	(3,737,435)	(147,955)
Non-current liabilities	(22,043,560)	–	–	(573,842)
Equity	124,598	(173,763)	13,689,538	4,769,093
Associate's net (loss) income:				
Revenue	18,244,564	141,045	15,523,534	9,232,086
Expenses	(18,846,888)	(750,626)	(16,161,391)	(5,382,148)
Net (loss) income after tax	(602,324)	(609,581)	(637,857)	3,849,938

(1) Somers was deemed to have acquired significant influence over Ascot Lloyd, a UK holding company, by virtue of potential voting shares resulting from convertible loan notes that Somers held as of September 30, 2016 and its representation on the board of directors of Ascot Lloyd.

(2) Somers acquired its investment in Somers and Partners on May 3, 2016.

(3) Amounts reported are based on the latest Ascot Lloyd accounts for the year to September 30, 2016. Figures are unaudited.

(4) Amounts reported are based on the latest Incol accounts for the year to September 30, 2016. Figures are unaudited.

(5) Amounts reported are based on the latest Merrion accounts for the year to September 30, 2016. Figures are unaudited.

(6) Amounts reported are based on the latest Somers and Partners accounts for the year to September 30, 2016. Figures are unaudited.

Transactions with associate undertakings are disclosed in note 17.

6. LOANS AND RECEIVABLES

Loans and receivables at September 30 were as follows:

	2016 **$**	2015 $
Loans to unconsolidated subsidiaries	**2,854,940**	–
Loans to associates	**6,587,981**	4,461,285
Receivable from unconsolidated subsidiaries	**1,233,582**	–
Factored receivables	**3,017,778**	–
Total	**13,694,281**	4,461,285

6.1 Factored Receivables

During the year the Company entered into a number of debt factoring arrangements whereby the rights to cash flows from trade receivables were transferred to Somers. These receivables had terms of up to sixty days and all outstanding receivables at September 30, 2016 were paid in full after the year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(expressed in United States Dollars)

7. OTHER ASSETS

Other assets at September 30 were as follows:

	2016 $	2015 $
Prepayments and other receivables	**82,889**	34,682
Total	**82,889**	34,682

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

8. OTHER LIABILITIES

Other liabilities at September 30 were as follows:

	2016 $	2015 $
Accounts payable	**565,899**	182,987
Payables for financial investments purchased	**357,052**	255,400
Accrued liabilities	**486,312**	375,571
Total	**1,409,263**	813,958

9. CONVERTIBLE LOAN NOTES

As consideration for the purchase of 17,572,015 shares of RESIMAC Limited from Ingot Capital Management Pty Limited ("Ingot"), a related party entity controlled by Mr Duncan Saville (a director of Somers), Somers issued convertible loan notes with a principal value of $88,519,562. The loan notes were issued to Ingot on September 29, 2016. The loan notes are convertible, at the option of Ingot, into 4,984,210 common shares of Somers Limited upon the receipt of certain regulatory approvals. The loan notes are non-interest bearing and have a final maturity date of September 29, 2017. In the event that the Company pays a dividend to its shareholders prior to conversion, Ingot has the right to receive the equivalent value of the dividend in shares of the Company.

10. INTEREST BEARING LOANS AND BORROWINGS

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

	2016 $	2015 $
$3.5 million bank overdraft facility from BCB	**3,458,491**	–
Loan facility from BNTB repayable August 2017	**4,962,524**	6,000,000
Total bank borrowings	**8,421,015**	6,000,000
£1.0 million loan facility from UIL repayable June 2017	**1,233,582**	–
GBP 6% loan facility from UIL	**16,834,945**	–
Total	**26,489,542**	6,000,000

10.1 Bank Overdraft from BCB

The $3.5 million overdraft facility with BCB carries an interest rate of one-month LIBOR plus 5.0%. The facility is unsecured and is scheduled for renewal consideration by BCB on March 24, 2017.

10.2 Bank of N.T. Butterfield Loan

This loan from the Bank of N.T. Butterfield of £3.82 million is secured by a guarantee for £3.82 million from ICM Limited and is repayable in full in August 2017. The loan carries a fixed interest rate of 5.25% (2015: Butterfield Bank US$ base rate plus 1.25%).

10.3 £1.0 Million Loan Facility from UIL

In May 2016 UIL provided this £1.0 million loan facility to Somers of which £950,591 was drawn down at year end. This unsecured loan facility carries a fixed interest rate of 6% and is repayable on June 30, 2017.

10.4 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, £12,972,909 was drawn down on this facility.

10.5 Compliance with Loan Covenants

Somers has complied with the financial covenants of its borrowing facilities during the 2016 and 2015 reporting periods, see note 11 for details.

11. EQUITY

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

	Authorised Shares	Par Value	Issued & Fully Paid Shares	Par Value	Contributed Surplus
Balance at October 1, 2014	120,000,000	12,000	11,301,084	1,130	155,685,600
Issuance of 297,597 shares under dividend reinvestment plan	–	–	297,597	30	4,166,328
Exercise of 240,746 warrants	–	–	240,746	24	3,452,274
Cancellation of treasury stock	–	–	(46,622)	(5)	(629,236)
Balance at September 30, 2015	120,000,000	12,000	11,792,805	1,179	162,674,966
Issuance of 331,124 shares under dividend reinvestment plan	**–**	**–**	**331,124**	**34**	**4,487,661**
Cancellation of treasury stock	**–**	**–**	**(18,843)**	**(2)**	**(247,582)**
Balance at September 30, 2016	**120,000,000**	**12,000**	**12,105,086**	**1,211**	**166,915,045**

11.1 Treasury Stock

	2016 $		2015 $	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Balance at beginning of year	**–**	**–**	11,340	143,580
Purchase of treasury stock	**18,843**	**247,584**	35,282	485,661
Cancellation of treasury stock	**(18,843)**	**(247,584)**	(46,622)	(629,241)
Balance at end of year	**–**	**–**	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(expressed in United States Dollars)

11.2 Regulatory Capital

Certain of Somers' unconsolidated subsidiaries have external regulatory capital requirements. BCB has complied with all minimum capital requirements prescribed by its regulator, the Bermuda Monetary Authority, for the current year. Waverton's lead regulator, the Financial Conduct Authority, sets and monitors capital requirements for Waverton and no breaches were reported during the year. Stockdale's regulator, the Financial Conduct Authority, sets and monitors capital requirements for Stockdale and no breaches were reported during the year.

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

11.3 Loan Covenants

Under the terms of its BNTB bank borrowing facility, Somers is required to comply with the following financial covenants:

(a) Cash income to be a minimum of three times annual interest expense, and
(b) Minimum net assets of $150,000,000.

Somers has complied with these covenants throughout the year.

11.4 Capital Management

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

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

11.5 Dividend Reinvestment Plan

The Company has established 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 average share price on the Bermuda Stock Exchange for a predetermined period prior to the dividend payment date.

12. EARNINGS PER SHARE

Notes		Net Earnings (Loss) $	Weighted Average Shares $	Earnings (Loss) per Share $
	2016 Basic earnings per share			
	Net profit	**32,290,094**	**11,945,144**	**2.70**
9	Add: Incremental shares from assumed excercise of convertible notes	**–**	**27,311**	**–**
	Adjusted weighted average shares outstanding	**–**	**11,972,455**	**–**
	Diluted earnings per share			
	Net profit	**32,290,094**	**11,972,455**	**2.70**
	2015 Basic loss per share			
	Net loss	(4,130,698)	11,624,454	(0.36)
	Diluted loss per share			
	Net loss	(4,130,698)	11,624,454	(0.36)

For the diluted earnings per share calculation, the convertible notes are assumed to have been converted into ordinary shares at the date of their issue on September 29, 2016.

13. DIVIDENDS

The Company declared and paid dividends as follows:

	2016 $	2015 $
Final dividend for the year ended September 30, 2015 of 24.0 cents (2014: 22.0 cents) per common share. Paid January 2016	**2,831,172**	2,538,463
Interim dividend for the year ended September 30, 2016 of 18.0 cents (2015: 18.0 cents) per common share. Paid July 2016	**2,153,222**	2,102,643
Total	**4,984,394**	4,641,106

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended September 30, 2016 and 2015 were as follows:

	2016 $	2015 $
Paid in cash	**496,699**	474,748
Satisfied by issue of shares	**4,487,695**	4,166,358
Total	**4,984,394**	4,641,106

14. INTEREST INCOME

The Company earned interest income as follows:

	2016 $	2015 $
Loans and receivables	**185,084**	122,400
Financial assets at fair value through profit or loss	**859,282**	1,163,418
Factored receivables	**24,966**	–
Total	**1,069,332**	1,285,818

15. GAINS ON INVESTMENTS

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

	2016 $	2015 $
Financial assets at fair value through profit or loss		
Unrealised gains (losses) on investments	**35,972,172**	(12,456,916)
Realised (losses) gains on sale of investments	**(1,153,790)**	9,148,468
Total	**34,818,382**	(3,308,448)
Available-for-sale financial assets		
Unrealised gains on investments	**–**	–
Realised gains on sale of investments	**13,629**	179,221
Total	**13,629**	179,221
Total gains (losses) on investments	**34,832,011**	(3,129,227)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(expressed in United States Dollars)

16. INCOME TAX

Somers and its subsidiaries domiciled in Bermuda are not subject to income tax on their 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:

	2016 **$**	2015 $
Overseas taxation	**278,121**	19,203
Total	**278,121**	19,203

17. RELATED-PARTY DISCLOSURES

As at September 30, 2016, the Investor Group held, in aggregate, 89.59% (2015: 89.18%) of Somers' common shares. Details of the Investor Group are disclosed in note 1.

The following are considered related parties of the Company: the Investor Group, General Provincial Life Pension Fund (L) Limited (which holds 62.0% of UIL's ordinary shares), Mr. Duncan Saville (who owns 100% of Permanent, Permanent Mutual and ICM), 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, 2016, between the Company and its related parties above:

17.1 Bermuda Commercial Bank Limited

Somers uses BCB for banking services and enters into transactions with BCB under the same terms as an unrelated party would receive. For the year ended September 30, 2016, Somers paid BCB interest and fees of approximately $177,535 (2015: $53,005) for banking services provided to Somers.

At September 30, 2016, Somers had deposits with BCB amounting to $777,162 (2015: $823,303).

During the year, Somers entered into a $3.5 million overdraft facility with BCB of which $3,458,491 was drawn down as of September 30, 2016. The overdraft facility is unsecured, carries an interest rate of one-month LIBOR plus 5.0% and is scheduled for renewal consideration by BCB on March 24, 2017. Somers paid interest of $106,658 to BCB on this overdraft during the year.

During the year, Somers purchased securities from BCB at amounts equal to their fair value of $6,922,740 (2015: $Nil). There were no payables as a result of the purchase of these securities at the year end.

Somers received $2,500,000 of cash dividends during the year from BCB. The prior year dividend of $1,600,000 consisted of cash received of $1,005,257 and a non-cash dividend in the form of £330,000 PCFG 6% convertible loan notes with a fair value of $594,743.

On December 30, 2014, Somers provided a guarantee to BCB in relation to loans of £1,225,000 provided by BCB to Stockdale. This guarantee expired in December 2015 following the repayment of this loan.

17.2 Waverton Investment Management Limited

Somers received £637,475 (2015: £637,475) of dividends during the year from Waverton.

17.3 Stockdale Securities Limited

A restructuring of Stockdale took place in December 2015. Under the terms of the restructuring:

- A deed of termination/release was entered into in respect of Somers' holding of Stockdale perpetual unsecured non-cumulative convertible loan notes with a face value of £1,915,000, releasing Stockdale of its obligations in relation to these loan notes.

- Somers was allotted, 1,559,984,735 Stockdale ordinary shares of £0.0001 par value each at a subscription price of £0.002 per share and an aggregate subscription price of £3,119,969. This allotment provided Somers with a 100% equity holding in Stockdale. This holding, by agreement, was subsequently diluted to 75% with the remaining 25% held by Stockdale's staff and management.
- Somers provided a loan to Stockdale of £2.2m. This loan was used by Stockdale to repay certain financial indebtedness and for working capital purposes. The loan has a term of 5 years and carries a fixed interest rate of 5%.

During the year, Somers charged Stockdale interest of $128,358 (2015: $203,269) on these loans and loan notes of which $120,020 was receivable at September 30, 2016 (2015: $334,464).

During the year, Somers paid Stockdale $39,738 (2015: $15,932) for consultancy services, which is included in legal and professional fees in the consolidated statement of income.

Somers has issued a guarantee to a third party asset manager in relation to brokerage operations provided by Stockdale to that asset manager. The Directors believe the probability of the guarantee being called upon is remote and no fee was charged for this guarantee.

Somers acquired all Stockdale perpetual convertible loan notes issued on August 9, 2010 for total consideration of £444,600. These notes were subsequently terminated.

17.4 RESIMAC Limited

In September 2016, Somers acquired from Ingot 17,572,015 shares in RESIMAC at their fair value of $88,519,562. This transaction increased Somers' holding to 18,062,467 shares representing 81.25% of RESIMAC's issued shares.

As disclosed in Note 9, this acquisition was financed by Somers by way of the issuance of $88,519,562 of convertible loan notes.

During the year, Somers sold available-for-sale securities to RESIMAC at a fair value of A$47,325 (2015: A$795,662).

At September 30, 2016, Somers had payables due to RESIMAC of A$25,300 (2015: A$Nil) relating to costs incurred by RESIMAC on behalf of Somers.

17.5 RESIMAC Treasury Services (UK) Ltd ("RTSL")

In May 2016, Somers provided a £1,000,000 loan facility to RTSL of which £950,591 was drawn down at September 30, 2016. This facility is unsecured, carries a fixed interest rate of 6% and is repayable on June 30, 2017. Somers earned interest of £17,970 during the year, all of which was receivable at the year end.

At September 30, 2016, Somers had receivables due from RTSL of £12,120 (2015: £Nil) relating to costs incurred by Somers on behalf of RTSL.

17.6 Ascot Lloyd Holdings Limited

During the year, Somers acquired a 6% convertible loan note in Ascot Lloyd with a par value of £1.25 million and as at September 30, 2016, held four 6% convertible loan notes with a combined par value of £6.45 million. Upon conversion of the four convertible loans Somers would own 49.0% of Ascot Lloyd's diluted issued share capital.

In addition, during the year Somers provided a loan facility to Ascot Lloyd of £1.25 million bringing total loan facilities to £4.45 million, all of which was drawn down as at September 30, 2016. The facilities have terms ranging from four to five years with interest currently payable at 6%.

During the year, Somers earned interest of $771,362 (2015: $448,178) of which $194,506 was receivable at September 30, 2016 (2015: $161,501).

17.7 Merrion Capital Holdings Limited

In July 2014, Somers acquired 3,138 equity shares in Merrion for a consideration of €0.75 million and acquired €2.5 million of 3.5% convertible loan notes issued by Merrion. Somers exercised these convertible loan notes in March 2016 giving Somers a 22.57% holding in Merrion's issued share capital. During the year Somers received interest of $103,865 (2015: $98,889) from Merrion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(expressed in United States Dollars)

17.8 Incol Limited

In August 2016, Somers provided a €42,000 loan to Incol. The loan is unsecured, carried no interest and is repayable on February 28, 2017.

17.9 Somers and Partners Pty Ltd

During the year, Somers provided a loan of A$1.0 million to Somers and Partners (previously GMP Securities Australia Pty Limited) and agreed to guarantee certain liabilities of Somers and Partners. In consideration for these items, Somers received 1,200,000 equity shares in Somers and Partners giving Somers a 30% holding in the company's issued share capital.

The loan to Somers and Partners carries a fixed interest rate of 10% and matures on December 31, 2016. During the year Somers received interest of A$41,667 from Somers and Partners.

The liabilities guaranteed by Somers were repaid by Somers and Partners during the year and the guarantee was terminated.

17.10 UIL Limited

During the year, Somers entered into a number of new loan facilities with UIL. These facilities were unsecured and were denominated in Sterling, Australian Dollars and US Dollars. The loans carried fixed interest rates ranging from 5% to 10% and had maturities of up to twelve months. On August 31, 2016 the loan facilities were translated into Sterling at the closing exchange rate on that date and consolidated into a single new Sterling loan facility. This unsecured facility carries a fixed interest rate of 6% and is repayable upon UIL giving Somers not less than 12 months' notice. At year end, £12,972,909 was drawn down on this facility. During the year, Somers incurred interest expense of $257,590 (2015: $70,494) on these loans of which $69,319 was payable at year end (2015: $Nil).

In May 2016, UIL provided a separate £1,000,000 loan facility to Somers of which £950,591 was drawn down at year end. This unsecured loan facility carried a fixed interest rate of 6% and is repayable on June 30, 2017. During the year, Somers incurred interest expenses of £17,970 on this loan all of which was payable at year end.

During the year, Somers sold securities with a fair value of $6,922,740, to UIL, for a previously agreed price of $5,768,950 (2015: $Nil).

17.11 Ingot Capital Management Pty Limited

Ingot is a related party as it is controlled by individuals or entities that also control Somers. As described in note 9, Somers entered into a convertible loan note with Ingot in September 2016.

17.12 ICM Limited

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

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

Somers has agreed to pay ICM an annual fee for its advisory services equal to 0.50% (payable quarterly in arrears) of the gross asset value of Somers' financial investments. For the year ended September 30, 2016, this fee amounted to $538,145 (2015: $534,783), of which $Nil remained payable at year end. Included within the terms of the revised investment adviser agreement is a performance fee payable to ICM if the growth in the Company's shareholders' 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 shareholders' equity exceeds the Hurdle Rate. The growth in Somers' shareholders' equity did not exceed the Hurdle Rate in 2016 and therefore no performance fee was payable for the year ended September 30, 2016 (2015: $Nil).

ICM provided administration and other professional services to Somers for which Somers paid fees of $55,380 (2015: $81,551) included in "Audit and accounting fees" in the Consolidated Statement of Income. In addition, ICM has guaranteed a £3.82 million BNTB bank loan facility provided to Somers. The fee for this guarantee, is covered by an agreement, and was $49,625 for the year ended 30 September 2016 (2015: $15,000).

17.13 The Board of Directors

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

	2016 **$**	2015 $
Duncan Saville	**4,823,569**	4,677,540
Charles Jillings	**83,000**	83,000
Warren McLeland	**44,930**	43,006
David Morgan	**6,750**	6,750

The Company's directors' fees for the year ended September 30, 2016, amounted to $65,000 (2015: $67,333).

Charles Jillings was a director of Waverton during the year ended September 30, 2016 and received directors' fees of $56,413 for the year (2015: $61,981). Alasdair Younie was a director of West Hamilton and BCB during the year ended September 30, 2016 and received directors' fees of $7,900 and $31,500, respectively, in the year (2015: $6,500 and $30,875). Duncan Saville was a director of West Hamilton during the year ended September 30, 2016 and received directors' fees of $7,900 in the year (2015: $6,500). David Morgan was a director of BCB, Waverton, PCFG and Ascot Lloyd during the year ended September 30, 2016 and received directors' fees of $42,000, $56,413, $28,206 and $16,924, respectively (2015: $42,000, $61,981, $25,180, $18,594). Morwill Ltd, a company related to Mr. Morgan, also received fees for providing services to Somers of $116,293 for the year (2015: $129,291).

BCB also provides banking services to directors under normal commercial terms. At September 30, 2016, directors and parties associated with directors had deposit balances with BCB of $252,174 (2015: $516,233). At September 30, 2016, total loans and advances provided to directors by BCB amounted to $Nil (2015: $8,196).

17.14 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, 2016, BCB had total loans and advances receivable from related parties of Somers amounting to $15,095,540 (2015: $19,615,817), of which $5,954,965 (2015: $5,973,481) was unsecured and $9,140,575 (2015: $13,631,786) was secured by the related parties' cash and portfolio assets managed/custodied by BCB. The undrawn portion of credit facilities with related parties of Somers at September 30, 2016 totaled $188,646 (2015: $393,924).

For the year ended September 30, 2016, BCB earned net interest and fees of $2,075,651 (2015: $1,016,871) for banking services provided to related parties of Somers.

At September 30, 2016, BCB had investments in asset-backed notes in various securitisation entities that were set up by RESIMAC, with a carrying value of $26,774,876 (2015: $28,237,946).

Deposit Liabilities

At September 30, 2016, BCB had deposit balances placed by Somers' related parties amounting to $6,380,486 (2015: $3,643,728).

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, 2016, such fees amounted to $763,061 (2015: $1,051,132) of which $163,718 remained payable at year end (2015: $Nil). In addition, pursuant to a consultancy agreement, a fee of $100,000 (2015: $100,000) was paid to ICM for its consultancy services, of which $25,000 remained payable at year end (2015: $Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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In addition, depending upon the performance of the portfolio, BCB may determine that the Investment Adviser should receive performance fees on account of the services provided. During the year ended September 30, 2016, BCB incurred a performance fee of $240,000 (2015: $710,307) of which $240,000 remained payable at year end (2015: $441,307).

RTSL

RTSL has issued promissory notes to entities related to Somers. The promissory notes carry an interest rate of twelve-month Sterling LIBOR plus 5.5%. At September 30 the promissory notes were held by the following entities:

	2016 **£**	2015 £
Bermuda Commercial Bank Limited	**12,500,000**	7,000,000
UIL Limited	**–**	2,000,000
RESIMAC Limited	**–**	1,000,000
Total	**12,500,000**	10,000,000

During the year RTSL incurred interest expenses of £922,463 (2015: £240,498) on the promissory notes and at September 30, 2016, total interest payable was £384,833 (2015: £572,571).

At September 30, 2016, RTSL had amounts owing to RESIMAC of A$3,312,317 relating to costs incurred by RESIMAC on behalf of RTSL prior to June 30, 2015. During the year RTSL incurred interest expenses of £273,466 (2015: £Nil) on this payable balance and at year end, total interest payable by RTSL was £273,466 (2015: £Nil).

18. RISK MANAGEMENT

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

The Company seeks to meet its investment objective by investing, currently in a portfolio of principally unlisted companies. Derivative instruments may be used for purposes of hedging the underlying portfolio of investments and the resulting currencies. The Company has the power to enter into short and long term borrowings. In pursuing the objective, 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 financial securities held in the Company's portfolio fluctuate with changes in market prices. Market risk embodies currency risk, interest rate risk and price risk. Prices are affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Company's investments may be materially affected by economic conditions in the global financial markets and those markets where Somers has material exposure. Capital and credit markets have experienced significant volatility and disruption over recent periods. Uncertainty created by market and economic conditions and a tightening of credit could lead to declines in valuations of financial securities without regard to the underlying financial condition of the issuer.

The Board sets policies for managing these risks within the Company's objectives and meets regularly to review full, timely and relevant information on investment performance and financial results. The Investment Manager assesses exposure to market risks when making each investment decision and monitors on-going 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. To date, the Company has not engaged in currency hedging.

The Company's underlying investments are denominated in Sterling, Australian Dollars, Euros, New Zealand 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 on-going basis. The Investment Manager discusses its 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:

	2016					
	Financial Assets $	**Financial Liabilities $**	**Net Financial Assets $**	**% of Company Net Financial Assets**	**Hedging Contracts $**	**Net Exposure $**
Sterling	**115,824,597**	**(23,552,105)**	**92,272,492**	**40.0%**	**–**	**92,272,492**
Australian Dollar	**93,919,417**	**(38,760)**	**93,880,657**	**40.7%**	**–**	**93,880,657**
Euro	**3,230,818**	**(35,974)**	**3,194,844**	**1.4%**	**–**	**3,194,844**
New Zealand Dollar	**582,639**	**(291,320)**	**291,319**	**0.1%**	**–**	**291,319**
Singapore Dollar	**3,754**	**(71)**	**3,683**	**0.0%**	**–**	**3,683**
Total	**213,561,225**	**(23,918,230)**	**189,642,995**	**82.3%**	**–**	**189,642,995**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(expressed in United States Dollars)

	2015					
	Financial Assets $	Financial Liabilities $	Net Financial Assets $	% of Company Net Financial Assets	Hedging Contracts $	Net Exposure $
Sterling	83,451,125	(32,539)	83,418,586	39.9%	–	83,418,586
Australian Dollar	717,451	–	717,451	0.3%	–	717,451
Euro	4,013,948	(27,234)	3,986,714	1.9%	–	3,986,714
New Zealand Dollar	510,799	(255,400)	255,399	0.1%	–	255,399
Total	88,693,323	(315,173)	88,378,150	42.3%	–	88,378,150

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 after tax and on Net Asset Value (NAV) per share:

Strengthening of the US Dollar

	2016				
	Sterling £	Australian Dollar A$	Euro €	New Zealand Dollar $	Singapore Dollar $
Net income for the year	**(9,227,249)**	**(9,388,066)**	**(319,484)**	**(29,132)**	**(368)**
NAV per share - Basic	**(0.76)**	**(0.78)**	**(0.03)**	**(0.00)**	**(0.00)**

	2015				
	Sterling £	Australian Dollar A$	Euro €	New Zealand Dollar $	Singapore Dollar $
Net income for the year	(8,341,859)	(71,745)	(398,671)	(25,540)	–
NAV per share - Basic	(0.71)	(0.01)	(0.03)	(0.00)	–

Weakening of the US Dollar

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

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

Interest rate exposure

The Company's exposure to the risk of changes in interest rates relates primarily to its holding of convertible debt securities within its financial investments portfolio and its $3,458,491 variable rate bank overdraft. Apart from this bank overdraft, the Company had no floating rate debt obligations at September 30, 2016 (2015: $6,000,000). 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, 2016, the Company held convertible debt securities with a fair value of $20,280,456 (2015: $20,192,084). These securities had fixed interest rates. The remaining terms to maturity varied between one and five years with a weighted average of 3.1 years (2015: 3.3 years). 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 will 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 companies with comparably less debt.

External borrowings will only be undertaken if the Directors and the Investment Manager consider the prevailing interest rates 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, 2016, the Company had bank loans and overdrafts of $8,421,015 (2015: $6,000,000), and non-bank loans of $18,068,527 (2015: $Nil). The Company also issued convertible notes with a principal value of $88,519,562. The loan notes are non-interest bearing and have a final maturity of September 29, 2017.

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

	2016 **$**	2015 $
Fixed rate instruments		
Financial assets	**32,629,821**	24,653,369
Financial liabilities	**(23,031,051)**	–
	9,598,770	24,653,369
Variable rate instruments		
Financial assets	**–**	–
Financial liabilities	**(3,458,491)**	(6,000,000)
	(3,458,491)	(6,000,000)
Total interest rate sensitivity gap	**6,140,279**	18,653,369

An increase in 100 basis points in interest rates as at the reporting date would have decreased net interest income by $34,585 (2015: $60,000). A decrease of 100 basis points would have increased net interest income by $34,585 (2015: $60,000).

As described above, a change in interest rates may impact the fair value of the Company's fixed rate debt instruments. An increase in 100 basis points in interest rates as at the reporting date would have reduced annual net income and basic NAV per share by approximately $346,914 and $0.03 respectively (2015: $625,731 and $0.05). 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(expressed in United States Dollars)

with fair value changes recognised in the consolidated statement of income, such changes in market conditions will affect net gains on investments and the Company's net asset value.

The valuation of unquoted investments depends upon a combination of market factors and the performance of the underlying assets. The Investment Manager monitors price risk and consults with the Board of Directors on a quarterly basis, or more frequently as the case may be. The impact on valuations of the Company's larger unquoted investments from changing certain unobservable inputs used in the Company's valuations, where the value is estimated by the Directors and Investment Manager, is presented in note 20.

The Company also has direct exposure to assets that are publicly traded on various equity markets. These represent 1.24% (2015: 0.41%) of the Company's portfolio fair value as at September 30, 2016.

(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 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, they 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:

	2016				
	Less than 1 month $	1 - 3 months $	3 months - 1 year $	More than 1 year $	Total $
Financial asset by type					
Cash and cash equivalents	751,940	–	–	–	751,940
Other assets	82,889	–	–	–	82,889
Interest receivable	356,995	–	–	–	356,995
Loans and receivables	3,017,778	766,000	1,280,798	8,629,705	13,694,281
Financial investments	–	–	–	12,263,265	12,263,265
Total	4,209,602	766,000	1,280,798	20,892,970	27,149,370
Financial liability by type					
Interest payable	107,638	–	–	–	107,638
Other liabilities	1,409,263	–	–	–	1,409,263
Convertible loan notes	–	–	88,519,562	–	88,519,562
Interest bearing loans and borrowings	3,458,491	–	6,196,106	16,834,945	26,489,542
Total	4,975,392	–	94,715,668	16,834,945	116,526,005

	2015				
	Less than 1 month $	**1 - 3 months $**	**3 months - 1 year $**	**More than 1 year $**	**Total $**
Financial asset by type					
Cash and cash equivalents	1,108,676	–	–	–	1,108,676
Interest receivable	520,134	–	–	–	520,134
Loans and receivables	–	–	–	4,461,285	4,461,285
Financial investments	–	–	–	10,655,460	10,655,460
Total	1,628,810	–	–	15,116,745	16,745,555
Financial liability by type					
Interest payable	–	–	–	–	–
Other liabilities	813,958	–	–	–	813,958
Interest bearing loans and borrowings	–	–	6,000,000	–	6,000,000
Total	813,958	–	6,000,000	–	6,813,958

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

(c) Credit Risk and Counterparty Exposure

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

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

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

The Company's policy is to provide financial guarantees only for subsidiaries and associates' liabilities. As set out in note 17, at September 30, 2016, the Company had issued one guarantee to a third party asset manager in relation to the brokerage operations of a subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(expressed in United States Dollars)

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

	2016 **$**	2015 $
Cash and cash equivalents	**751,940**	1,108,676
Interest receivable	**356,995**	520,134
Loans and receivables	**13,694,281**	4,461,285
Financial investments	**20,280,456**	20,192,084
Total	**35,083,672**	26,282,179

(d) Fair Values of Financial Assets and Liabilities

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

Unquoted investments are valued based on assumptions and professional advice 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 20.

(e) Reliance on Investment Manager

The Company relies on the Investment Manager and its ability to evaluate investment opportunities and to further manage 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.

19. 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.

20. 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.

20.1 Financial Instruments Recorded at Fair Value

Available-for-Sale Financial Investments

There were no available-for-sale financial assets valued using valuation techniques during the year ended September 30, 2016 or 2015.

Fair Value through Profit or Loss Financial Investments

Financial assets at Fair Value through Profit or Loss that are valued using valuation techniques include unquoted equity and debt securities. These assets are valued using models that use both observable and unobservable data. The unobservable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry, and geographical jurisdiction in which the investee operates.

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 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 valuation. 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:

Waverton - UK Incorporated
Valuation inputs: Maintainable EV/EBITDA multiple of 10.8 times. Unlisted discount applied of 10%.

Valuation Methodology: Waverton has been valued based on peer comparisons and in particular EV/EBITDA. Listed peer valuations average 10.8 times for 2016. After applying a 10% discount the valuation is £91.6 million (2015: £55.0 million). Somers holds a 62.5% equity interest in Waverton and, as at September 30, 2016, carried this investment at £57.2 million (2015: £34.4 million).

Sensitivities: Should the EBITDA of Waverton move by £1.0 million the gain or loss in valuation would be £6.1 million. Should the peer group multiple ascribed to Waverton's EBITDA be reduced/increased by 1.0 the change in valuation for Somers would be £5.5 million.

BCB - Bermuda Incorporated
Valuation inputs: Fair value of BCB's identifiable assets and liabilities

Valuation Methodology: Sum-of-the-parts valuation. Somers has a 100% interest in BCB and this was valued at $106.0 million (2015: $100.8 million). Included within this valuation is BCB's holding of 115,559,047 shares in PCFG that are valued at their closing bid price on the reporting date.

Sensitivities: Should BCB's net assets increase/decline by 10% there would be an equal 10% change in the valuation.

RESIMAC - Australia Incorporated
On September 29, 2016 Somers acquired from Ingot 17,572,015 shares in RESIMAC for A$116.1 million ($88.5 million) or A$6.6075 per share. RESIMAC had announced, on July 20, 2016, their intention to merge with Homeloans and the acquisition price of the RESIMAC shares was based on the weighted average of the Homeloans mid-market share price for the 30 days prior to the notification of the Special General Meeting of Somers' shareholders to approve the acquisition (A$0.5146), and the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(expressed in United States Dollars)

previously announced RESIMAC-Homeloans share conversion ratio of 12.84. As disclosed in note 21, the merger with Homeloans became effective on October 25, 2016.

Due to the close proximity of the acquisition date of the RESIMAC shares to the Somers' year-end, and, as no adjusting events were identified in the intervening period, the RESIMAC shares were valued at their acquisition price of A$6.6075 at year-end.

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 $27.0 million (2015: $25.7 million).

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

Ascot Lloyd - UK Incorporated
Valuation inputs: Maintainable EV/EBITDA multiple of 13.0 times. Unlisted discount applied of 20%.

Valuation Methodology: The Ascot Lloyd convertible loan notes are valued by separately valuing their loan and option components and aggregating the two values. Ascot Lloyd's equity, which forms the basis for the valuation of the option component, has been valued based on peer comparisons and in particular an EV/EBITDA multiple. Listed peer valuations average 13.0 times for 2016. After applying a 20% discount, Ascot Lloyd was valued at £23.5 million.

Sensitivities: Somers' holding of Ascot Lloyd convertible notes was valued at £12.6 million at September 30, 2016. Should the value of Ascot Lloyd's equity increase/decrease by 10% there would be a £1.3 million increase/£1.3 million decrease in valuation for Somers.

Other
Valuation Methodology: Somers has a further eight unlisted investment holdings with values from $Nil to $3.9 million each. These were valued using a mixture of cost for recent investments, where no material events had taken place since acquisition which would impact fair value, EV/EBITDA multiple, EV/Revenue multiple, and fair value of net assets. The total value of these eight holdings was $12.9 million at September 30, 2016.

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

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Equity investments	**–**	**–**	**307,630,037**	**307,630,037**
Debt securities	**–**	**–**	**20,280,456**	**20,280,456**
	–	**–**	**327,910,493**	**327,910,493**
Available-for-sale financial assets				
Equity investments	**4,127,778**	**–**	**–**	**4,127,778**
	4,127,778	**–**	**–**	**4,127,778**
Total	**4,127,778**	**–**	**327,910,493**	**332,038,271**

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Equity investments	–	–	188,816,911	188,816,911
Debt securities	–	–	20,192,084	20,192,084
	–	–	209,008,995	209,008,995
Available-for-sale financial assets				
Equity investments	855,260	–	–	855,260
	855,260	–	–	855,260
Total	855,260	–	209,008,995	209,864,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(expressed in United States Dollars)

Movement in Level 3 financial instruments measured at fair value:

	Equity Investments $	Debt Securities $	Total $
Financial assets at fair value through profit or loss			
At October 1, 2014	191,952,988	8,424,025	200,377,013
Total (losses) gains recorded	(23,724,833)	5,682,114	(18,042,719)
Purchases	20,588,756	6,085,945	26,674,701
Disposals	–	–	–
At September 30, 2015	188,816,911	20,192,084	209,008,995
Total gains (losses) recorded	23,801,950	(1,918,524)	21,883,426
Purchases	97,064,897	5,722,125	102,787,022
Disposals	(5,768,950)	–	(5,768,950)
Conversion of convertible debt securities	3,715,229	(3,715,229)	–
At September 30, 2016	**307,630,037**	**20,280,456**	**327,910,493**

There were no Level 3 available-for-sale financial assets held during the years ended September 30, 2016 and September 30, 2015.

There were no Level 3 financial liabilities held during the years ended September 30, 2016 and September 30, 2015.

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

21. SUBSEQUENT EVENTS

21.1 RESIMAC Limited merger with Homeloans Limited

On October 25, 2016, RESIMAC Limited merged with Homeloans Limited ("Homeloans"), an ASX listed non-bank lender, pursuant to a court approved scheme of arrangement and RESIMAC became a subsidiary of Homeloans. Homeloans and RESIMAC had entered into the scheme of arrangement on July 20, 2016 and RESIMAC's shareholders approved the resolutions relating to the merger with Homeloans at its scheme meeting on October 11, 2016.

RESIMAC shareholders were issued with shares in Homeloans based on the ratio of RESIMAC shareholders owning 72.5% and existing Homeloans shareholders owning 27.5% of the enlarged group. Under the terms of the merger, Somers was issued with 231,922,076 shares in Homeloans equating to a 58.91% holding in the company's issued share capital. The shares are listed on the ASX. Trading of the new Homeloans shares on the ASX on a normal settlement basis commenced on October 26, 2016.

21.2 Assignment to Permanent

On November 25, 2016, Ingot assigned its interest in the Somers' convertible loan notes to its parent, Permanent Investments Limited. As detailed in note 9, the loan notes will be convertible into 4,984,210 common shares of Somers Limited upon the receipt of certain regulatory approvals. Post this conversion Permanent will hold approximately 53.5% of Somers issued share capital.

21.3 Final Dividend

Effective December 13, 2016, the Board of Directors resolved to pay a final dividend for the year ended September 30, 2016 in the amount of $0.26 per share to shareholders of record at January 13, 2017, and this was paid on January 30, 2017.

FINANCIAL SUMMARY 2013-2016

(expressed in United States Dollars)

	2016	2015	2014	2013
Income and Expense Items				
Net interest income	**384,736**	1,081,496	694,190	584,727
Dividend income	**3,399,044**	2,587,780	7,874,758	6,351,911
Gains (losses) on investments	**34,832,011**	(3,129,227)	28,362,934	29,686,082
Other (losses) income	**(4,154,241)**	(2,675,088)	(1,217,400)	1,297,305
Total income	**34,461,550**	(2,135,039)	35,714,482	37,920,025
Total expenses	**1,893,335**	1,976,456	3,532,777	4,244,024
Net income (loss) before tax	**32,568,215**	(4,111,495)	32,181,705	33,676,001
Income tax expense	**(278,121)**	(19,203)	(9,170)	–
Net income (loss)	**32,290,094**	(4,130,698)	32,172,535	33,676,001
Balance Sheet				
Financial investments	**332,038,271**	209,864,255	218,284,392	177,952,475
Other assets	**14,886,105**	6,124,777	5,295,345	38,790,723
Total assets	**346,924,376**	215,989,032	223,579,737	216,743,198
Total liabilities	**116,526,005**	6,813,958	8,469,131	37,117,518
Total equity	**230,398,371**	209,175,074	215,110,606	179,625,680
Per Common Share				
NAV per share	**18.66**	17.74	18.96	16.81
Share price	**13.75**	13.00	13.75	12.00
Dividend paid	**0.44**	0.42	0.37	0.32

COMPANY INFORMATION

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David Morgan
Duncan Saville
Alasdair Younie

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Bermuda Commercial Bank Limited

Banking

Licensed bank in Bermuda with total assets of $580 million.

Focus on Commercial Banking and Private Banking/Wealth Management.

Homeloans Limited

Non-bank Lender

Australian and New Zealand Mortgage Securitisation business. Listed on the Australian Stock Exchange.

Loan Portfolio in excess of A$8 billion.

Waverton Investment Management Limited

Private Wealth Management

UK Private Wealth Management business.

Assets under management of over $6.5 billion.

Ascot Lloyd Holdings Limited

Independent Financial Adviser

UK Independent Financial Adviser.

Assets under administration of over $2.5 billion.

Private & Commercial Finance Group plc

Asset Financing

UK Asset Financing company. UK banking license approved Dec 2016. Listed on the London Stock Exchange.

Portfolio of finance receivables of $159 million.

RESIMAC Treasury Services (UK) Ltd

UK Mortgages

Beneficial owner of a portfolio of UK residential mortgage loans.

Buy - to - let mortgages of £150m.

Merrion plc

Financial Services

Irish Independent Financial Services firm.

Stockbroking, Corporate Finance, Advisory and Fund Management Services.

Stockdale Securities Limited

Stockbroking

UK Corporate and Institutional Stockbroking.

West Hamilton Holdings Limited

Property Investment

Bermuda Property Holding and Management company. Listed on the Bermuda Stock Exchange.

Rasmala

Asset Management

Alternative Asset Management with Middle Eastern focus. Listed on the London Stock Exchange.

Assets under management of over $1.2 billion.

MJ Hudson

Legal Services

UK Specialist Legal Services to the Alternative Asset Management Industry.

Somers & Partners

Stockbroking

Australian Corporate & Institutional Stockbroking.

Mana Capital

Asset Leasing

New Zealand Asset Financing company.

InCol

Corporate Finance

Irish Secured Term Funding for Financial Institutions.

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