



December 23, 2015

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

**Financial Results for the year ended September 30, 2015**

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

Investment Highlights for the year ended September 30, 2015:

- BCB reported net income of \$8.0 million (2014: \$9.2 million);
- BCB capital ratio of 21.3% (2014: 23.2%);
- Waverton reported pre-tax income (excluding extraordinary items) of £9.1 million (2014: £9.5 million);
- Waverton reported Assets under Management (“AuM”) as at September 30, 2015 of £4.3 billion;
- Private & Commercial Finance Group plc (“PCFG”) reported profit before tax up 80% to £1.5 million for six months ended September 30, 2015;
- Sale of PCFG holding to BCB and acquisition of holding in West Hamilton; and
- Additional £4.0 million investment in Ascot Lloyd Holdings Limited (“Ascot Lloyd”).

Overview of the year ended September 30, 2015:

- Shareholders’ equity of \$209.2 million as at September 30, 2015 (September 30, 2014: \$215.1 million);
- Diluted net asset value per share of \$17.74 as at September 30, 2015 (2014; \$18.96);
- NAV decrease driven by combination of valuation reductions at Waverton Investment Management Limited (“Waverton”) and Bermuda commercial Bank Limited (“BCB”) and Sterling depreciation; and
- Final dividend of \$0.24 per share (2014: \$0.22 per share) bringing the total dividend for the year to \$0.42 per share (2014: \$0.37 per share).

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

“Somers’ primary markets are the UK and Bermuda which together account for almost 98% of our portfolio. Both jurisdictions underperformed in 2015 with the UK’s FTSE 100, one of our primary benchmarks, down 8.5%. Somers was not immune to this downturn and our 2015 results were impacted by valuation reductions at our two largest holdings, BCB and Waverton. Offsetting this, two more of our UK investments, PCFG and Ascot Lloyd achieved strong growth for the year. Our



investment weighting in these companies is however at a relatively lower level and the net overall result was a decrease in Somers' NAV to \$17.74 per share from \$18.96 a year ago.

Of our core investments, BCB is going through a period of investment in its infrastructure and Waverton was impacted by the fall in the UK equity markets during the year. Despite this, both companies returned strong profits for 2015 albeit slightly below 2014 levels. Over the course of the year BCB's Board and management team have been strengthened and post the year end the Bank successfully launched its new core banking system. This will allow the Bank to broaden its product offering and become more customer-centric enabling the Bank to compete for an increased market share. The carrying value of our investment in Waverton was reduced on account of lower earnings and reduced AuM resulting from the transfer of one of the Waverton funds.

Against the backdrop of market uncertainty, currency volatility was also a feature of 2015 and adverse currency movements negatively impacted Somers' NAV. Many of our larger investments, in particular Waverton, PCFG and Ascot Lloyd are denominated in Sterling and over the course of the year Sterling declined by 6.7% versus the Dollar leading to a \$6.7 million reduction in NAV.

Throughout 2015 Somers was fully invested with cash levels kept to an operating minimum. Investment activity was low in 2015 with the year's main transactions being the acquisition of West Hamilton shares from BCB and the sale of our PCFG holdings to BCB. In addition, we invested a further £4.0 million in Ascot Lloyd. The PCFG transaction enables BCB to diversify and strengthen its earnings, improve its capital efficiency and diversify its geographic risk. BCB can assist PCFG in growing its loan book and PCFG will benefit from the strong and liquid balance sheet that a bank majority owner provides. Somers' acquisition of the West Hamilton shares consolidates the Group's share ownership in West Hamilton under one roof.

In 2015 we maintained our financial strength and kept our leverage position at a very conservative level. Our focus is to maintain strong returns in the medium and long term which we will do by maximising returns from our existing portfolio, adopting a measured and selective approach to new investments and keeping an absolute focus on improving every aspect of our business."

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## Summary of Somers' results for the year ended September 30, 2015

### Introduction

For the year ended September 30, 2015, the Company recorded a net loss of \$4.1 million (September 30, 2014: net income of \$32.2 million) equating to an annualised total loss on shareholders' equity (including dividends) of 4.40%. Loss per share (on both a basic and fully diluted basis) was \$0.36 in 2015 compared to basic and fully diluted earnings of \$2.89 in 2014. The Company's diluted net asset value per share ended the year at \$17.74 (2014: \$18.96).

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

The Company's total return is generated predominantly by the realised and unrealised returns achieved on its investment portfolio. Somers incurred losses on its investments of \$3.1 million for the year compared to gains last year of \$28.4 million. These losses resulted from reductions in the carrying value of BCB, Waverton and Westhouse. BCB's value reduced by 11% following a decline in the unrealized fair value of BCB's investments, a reduction in the Bank's interest income, and the impairment of certain intangible assets. A reduction in AuM at Waverton resulted in a 16% fall in Waverton's carrying value while Westhouse's valuation decreased during the year following weak trading performance. PCFG was the strongest performer in the year with the value of Somers' investment increasing by £5.9 million prior to the sale of this investment to BCB. The gain followed PCFG's announcement that it outperformed its profit and operating targets during their last fiscal year. Ascot Lloyd was another key performer in 2015 with EBITDA growth following the acquisitions of the IFG and PFP businesses increasing the value of this investment by £5.3 million. An analysis of Somers' core investments is set out below.

Net foreign exchange losses were \$2.7 million for the year with an additional \$4.1 million of exchange losses on Somers' investment in its foreign operations. 40% (51% on a look-through basis) of Somers' balance sheet is denominated in foreign currencies, primarily Sterling, and during the year Sterling declined by 6.7% versus the Dollar.

Total assets at September 30, 2015 were \$216.0 million (2014: \$223.6 million) with the Company's portfolio of investments accounting for the substantial majority of this. Within investments, BCB at \$100.8 million and Waverton at \$52.0 million together represent 72.8% of the total value with West Hamilton accounting for an additional 12.2%. It is anticipated that this heavy concentration will continue to reduce as new capital flows, an increased but limited level of leverage and net positive cash flows from existing investments allow for new investment opportunities. In July 2015 Somers entered into a \$6 million loan facility with The Bank of N.T. Butterfield & Son Limited. The proceeds of which were used to make a further investment in Ascot Lloyd.

Shareholders' equity was \$209.2 million at September 30, 2015 (2014: \$215.1 million). During the year, 240,746 warrants were exercised adding \$3.5 million to shareholders' equity and 46,622 treasury shares were cancelled. Additionally, \$4.2 million of the \$4.6 million dividends declared during the year were reinvested, under the dividend reinvestment plan, through the issuance of 297,597 shares. The net result from these actions was an increase in the number of issued shares to 11,792,805 from 11,301,084 at September 30, 2014.

### Final Dividend

The Company's Board has resolved to pay a final dividend of \$0.24 per share (2014: \$0.22) bringing the total dividend for the year to \$0.42 per share (2014: \$0.37). The record date for the dividend will be January 11, 2016 and the payment date will be January 18, 2016.

## REVIEW OF INVESTMENTS

### *Bermuda Commercial Bank Limited (“BCB” or the “Bank”)*

The Bank recorded net profit of \$8.0 million for the year (2014: \$9.2 million). Total revenue for the year was \$35.3 million, an increase of \$2.5 million (7.5%) over the prior year.

Total net interest income for the year was \$12.2 million (2014: \$18.2 million) whereas net non-interest income for the year was \$23.1 million (2014: \$14.7 million). Gains from the sale of financial investments for the year ended September 30, 2015, were \$14.9 million, compared to gains of \$17.8 million recorded in 2014.

Total expenses for the year were \$27.3 million compared to \$23.7 million recorded in 2014. The Bank is focused on controlling costs and the increase in expenses in 2015 mainly represents the cost of resource allocated to some key strategic projects of the Bank which is expected to be normalized during 2016, and amortization of certain intangible assets.

In September 2015, in line with its long term strategic goals, the Bank acquired a 75.5% interest in Private & Commercial Finance Group plc, a UK based finance company engaged in the provision of finance for vehicles and equipment for consumers and businesses. The significant increase in the Bank’s total assets to \$759.7 million at September 30, 2015 from \$592.6 million a year ago is primarily as a result of this acquisition and the Bank expects this acquisition will bring several synergies to both businesses.

Total customer deposit balances at year-end were \$505.4 million (2014: \$471.3 million). The Bank's capital position remains stable with total equity of \$101.6 million at September 30, 2015 (2014: \$113.4 million). The Bank has complied with all minimum regulatory capital requirements prescribed by the Banking regulator, and at September 30, 2015, the Bank’s Tier 1 and total capital ratios of 21.1% (2014: 25.0%) and 21.1% (2014: 23.2%) respectively, exceeded the prescribed regulatory limits.

The Bank’s financial position continues to be strong with a well capitalised and liquid balance sheet. The acquisition of PCFG along with the upgrading of our core systems provide significant opportunities for BCB in the coming year.

### *Waverton Investment Management Limited (“Waverton”)*

Waverton had Assets under Management (“AUM”) of £4.3 billion as at September 30, 2015 (2014: £5.2 billion). The reduction in Waverton’s AuM followed the loss of its European Fund and weaker equity markets and this has impacted its operating results. For the year ended September 30, 2015, Waverton increased its revenue to £32.1 million (2014: £31.1 million) but operating profit before tax reduced to £9.1 million from £9.5 million.

Despite the small decrease in operating profit, Waverton continues to generate strong cash-flows and this allowed it to reduce its external debt levels during the year and commence paying dividends to shareholders.

Waverton’s cost based increased in 2015 due to higher property (Waverton moved into new premises in September 2015) and regulatory costs and this has negatively impacted its EBITDA and thus its carrying value. Somers’ investment in Waverton has been valued based on peer comparisons using an EV/EBITDA valuation methodology. Over the course of the year Waverton’s maintainable EBITDA decreased to £6.4 million from £8.6 million a year earlier while the peer multiple increased by 8%. The net result was a decrease in the value of Somers’ investment in Waverton to £34.4 million from £41.1 million a year earlier.

At September 30, 2015 Waverton represented 24.8% of Somers’ investment portfolio (down from 30.8% in 2014) and its performance has a material impact on Somers’ overall performance. Global equity markets have been volatile throughout



the year and with the potential tightening of US interest rates Waverton's earnings in 2016 may be negatively impacted. However, there are significant opportunities for Waverton to grow in a number of its business areas and we hope this will offset any potential equity market downturn.

#### *West Hamilton Holdings Limited ("West Hamilton")*

Prior to the year end, as part of the sale of its stake in PCFG, Somers acquired 1,222,949 shares in West Hamilton. Somers is now interested in 1,659,390 shares, representing 57.0% in West Hamilton.

On December 7, 2015, West Hamilton released its results for the year ended September 30, 2015. The company earned gross operating income of \$2.1 million (2014: \$1.8 million), with the increase due to a new tenant occupying office space that was vacant in 2014. West Hamilton reported net income for the year of \$0.8 million (2014: \$0.4 million). Total assets amounted to \$30.3 million (2014: \$29.9 million). A recent valuation valued the property at \$45.1 million. Shareholders' equity increased by \$0.8 million.

It was a strong year for West Hamilton with increased occupancy in the Belvedere Building, a fully occupied parking facility which also has a significant waiting list and the commencement of the construction of nine residential apartments which are due to complete in the summer of 2016. West Hamilton is benefitting from the fact that its assets are located in an attractive part of Hamilton and the improvement in the Bermuda economy. With the completion of the residential development in 2016 and plans for further development of its site we believe that 2016 will be another positive year for the company.

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

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

Somers is interested in £5.2 million 6% convertible loan notes and loans totaling £2.95 million. Upon conversion of the convertible loan notes Somers would be interested in approximately 44.0% of Ascot Lloyd's diluted issued share capital.

Ascot Lloyd has made two significant acquisitions in the last two years which have significantly increased the size of the business. In July 2015, funded by Somers, Ascot Lloyd acquired the assets of PFP, another UK based IFA. This acquisition has doubled the size of Ascot Lloyd's assets under administration which as at September 30, 2015 stood at £1.86 million. Importantly for an IFA business Ascot Lloyd's recurring income has grown to approximately £8.9 million.

For the nine months ended September 30, 2015, Ascot Lloyd reported unaudited revenue of £9.3 million, gross profit of £8.4 million and EBITDA of £2.3 million. Somers investment in Ascot Lloyd is valued at £10.6 million as at September 30, 2015.

2016 promises to be an exciting one for Ascot Lloyd as they look to continue to integrate the acquisition of PFP and drive the synergies between the two businesses. There is a very good opportunity for Ascot Lloyd to grow its earnings over the next 12 months and it is possible that the company may look to undertake an IPO in 2016.

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

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



In July 2014, Somers completed a €3.25 million investment in Merrion. Somers invested €750k by way of equity which represents 6.6% of Merrion's issued share capital, and a three year 3% convertible loan note of €2.5 million. Somers invested alongside Merrion's existing management and Brehon Capital Partners Limited, a Dublin based real estate, private equity investment and asset management firm.

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) (24% of total 2014 revenues) and Private Clients/Stockbroking (23% of total 2014 revenues).

As at September 30, 2015 MIM had approximately €790 million assets under management and Merrion's private client business manages approximately €694 million of private client funds across 3,504 accounts, mainly on an advisory and execution only basis. For the nine months ended September 30, 2015, Merrion recorded unaudited revenue of €11.1 million.

Like a number of investment managers, Merrion has been negatively impacted by the performance of the markets in 2015 and in particular the fixed income markets. However, the development in the business with new people being hired has positioned Merrion for a profitable 2016 which should have a positive impact on Somers' valuation of its holding.

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

As at the year-end Somers was interested in 84.6% of the issued share capital of Westhouse, a London based corporate and institutional stockbroking firm. Post the year end Westhouse completed a restructuring to reduce operating costs in order to drive profitability. Following the approval of a management incentive scheme Somers' holding will be 75% and it is anticipated that following the approval of a management incentive scheme that Somers' holding will eventually be reduced to 55%.

Westhouse's trading performance continues to show improvement and with the reduction of operating costs it is anticipated that Westhouse will be profitable in the current financial year. Westhouse is improving the quality of its corporate clients which is enabling it to complete better quality transactions and therefore increased fees.

For the year ended September 30, 2015, Westhouse reported revenue of £10.5 million and an operating loss of £1.7 million. Somers investment in Westhouse as at September 30, 2015 is valued at £0.9 million.

#### *Other Investments*

During the year Somers acquired Resimac Treasury Services (UK) Limited ("RTSL") at a discount to its book value. RTSL's primary asset is a subordinated tranche of mortgage backed floating rate notes of Resimac UK RMBS No.1 plc, a special purpose vehicle set up to issue mortgage backed floating rate notes as part of the securitization of a portfolio of UK residential mortgage loans. Somers recognised a gain of £5.3 million on the carrying value of this investment in 2015. Somers also has a number of small investments, including listed equities which as at September 30, 2015 had a market value of \$2.4 million.

#### **ENDS-**

Somers Limited is a listed financial services investment holding company whose major assets include its 100% owned subsidiary, Bermuda Commercial Bank Limited, one of Bermuda's four licensed banks and a 62.5% holding in Waverton Investment Management Limited, a UK wealth manager with £4.3 billion assets under management. The Group's other investments include a 57.0% interest in West Hamilton Holdings Limited, a property development company in Bermuda, a 44% economic interest in Ascot Lloyd Holdings Limited, a UK independent financial adviser, a 21% economic interest in



Merrion Capital Holdings Limited, an Irish financial services group and an 84.6% stake in Westhouse Holdings PLC, a corporate and institutional stockbroking group, Somers has shareholders' equity of \$209 million and minimal debt. Somers' shares are publicly traded and listed on the Bermuda Stock Exchange (Ticker: SOM.BH) and more details on the Company can be found at [www.somers.bm](http://www.somers.bm).