

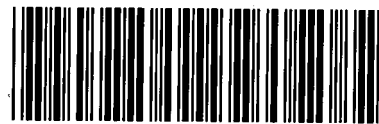
# **Soma Management Limited**

**Annual Report and Unaudited Financial Statements**

**For the year ended 31 December 2017**

**Company number 08619760**

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# **SOMA MANAGEMENT LIMITED**

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**SOMA MANAGEMENT LIMITED**  
**COMPANY INFORMATION**

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<b>DIRECTOR:</b>	William Richard Anderson
<b>COMPANY SECRETARY:</b>	Peter Damouni
<b>REGISTERED OFFICE:</b>	21 Arlington Street St James's London United Kingdom SW1A 1RD
<b>REGISTERED NUMBER:</b>	08619760 (United Kingdom)
<b>ANTI-BRIBERY &amp; CORRUPTION LEGAL ADVISERS:</b>	Paul Hastings LLP 10 Bishops Square London E1 6EG
<b>OIL &amp; GAS LEGAL ADVISERS:</b>	Akin Gump Strauss Hauer & Feld LLP Ten Bishops Square, 8 <sup>th</sup> Floor London E1 6EG

# **SOMA MANAGEMENT LIMITED**

## **DIRECTORS REPORT**

### **For the year ended 31 December 2017**

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The Directors present their report together with the unaudited financial statements of Soma Management for the year ended 31 December 2017.

Soma Management was incorporated in England and Wales on 22 July 2013.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is that of provision of management services to fellow Group companies.

#### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

Soma Management continues to act as the UK operating company for the Soma Oil and Gas Group. The Company is funded by its parent Soma Oil & Gas Holdings Limited to meet the operational expenditure for the UK office. The nature of the business activities of the Company is not expected to change over the next 12 months.

#### **RESULTS AND DIVIDENDS**

The Company's loss for the year was US\$2,128,000 (2016: loss for the year of US\$3,349,000). The Directors do not recommend payment of a dividend.

#### **DIRECTORS**

The Directors who held office during the year were as follows:

William Richard Anderson	
Basil Shiblaq	(Resigned 16 July 2018)
Lord Howard of Lympne, CH, QC (Chairman)	(Resigned 17 June 2018)
Hassan Khaire	(Resigned 23 February 2017)
Philip Edward Charles Wolfe	(Resigned 17 March 2017)

#### **STRATEGIC REPORT**

The Director has not prepared a strategic report as the Company would be entitled to prepare the financial statements in accordance with Section 414B of the Companies Act.

#### **GOING CONCERN**

Soma Management Limited does not generate revenue, and as such is reliant on funding from other Group companies. It has been deemed by Management that sufficient funding is available from the Group to ensure all operational expenditure commitments of Soma Management Limited will be met in the next calendar year.

As disclosed in the Group financial statements of Soma Oil & Gas Holdings Limited, the Group is currently in the exploration phase and not generating revenue and is as such reliant on external financing.

The Group's capital management policy is to preserve the Group's existing reserves through reducing near term exploration and development activities, this will continue whilst the licence negotiation process with the Somali government completes.

The Directors have a reasonable expectation that although the Group does not have adequate resources to continue in operational existence for the foreseeable future, existing shareholders will continue to support the business for the next 12 months as a minimum and as such, the Directors consider it appropriate to prepare the Company financial statements on a going concern basis.

The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

**SOMA MANAGEMENT LIMITED**  
**DIRECTORS' REPORT**  
For the year ended 31 December 2017

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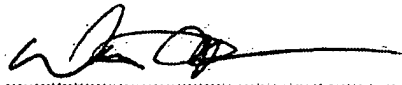
**DIRECTORS' INDEMNITIES**

The Company has granted an indemnity to each of its Directors under which the Company will, to the fullest extent permitted by law and to the extent provided by the Articles of Association, indemnify them against all costs, charges, losses and liabilities incurred by them in the execution of their duties. The Company also has Directors' and Officers' liability insurance in place and details of the policy are given to new Directors on appointment.

**SMALL COMPANY PROVISIONS**

The directors' report has been prepared in accordance with the special provisions applicable to companies entitled to the small companies exemption as referred to by the Companies Act 2006.

**ON BEHALF OF THE BOARD:**



**William Richard Anderson**

Chief Executive Officer

24 September 2018

**SOMA MANAGEMENT LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**For the year ended 31 December 2017**

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The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**SOMA MANAGEMENT LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2017

	Notes	For the year ended 31 December 2017 US\$'000	For the year ended 31 December 2016 US\$'000
Other income	3	-	692
Administrative expenses	4	(2,076)	(4,086)
<b>Operating loss</b>		<b>(2,076)</b>	<b>(3,394)</b>
Interest income		-	7
<b>Loss before tax</b>		<b>(2,076)</b>	<b>(3,387)</b>
Taxation	6	-	-
<b>Loss for the year after taxation</b>		<b>(2,076)</b>	<b>(3,387)</b>
<b>Items that may be classified subsequently to profit or loss:</b>			
Currency translation differences		(52)	38
<b>Total comprehensive loss for the year</b>		<b>(2,128)</b>	<b>(3,349)</b>

All of the above results are derived from continuing operations.

There was no other comprehensive income in the year.

The accompanying notes on pages 9 to 17 form an integral part of the financial statements.

**SOMA MANAGEMENT LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2017

	Notes	At 31 December 2017 US\$'000	At 31 December 2016 US\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	<u>1</u>	<u>18</u>
		<u>1</u>	<u>18</u>
<b>Current assets</b>			
Prepayments and other receivables	8	109	796
Cash in bank and on hand		<u>3,729</u>	<u>322</u>
		<u>3,838</u>	<u>1,118</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	<u>(21,011)</u>	<u>(16,180)</u>
		<u>(21,011)</u>	<u>(16,180)</u>
Net current liabilities		<u>(17,172)</u>	<u>(15,062)</u>
Net liabilities		<u>(17,172)</u>	<u>(15,044)</u>
<b>Equity</b>			
Share capital	10	-	-
Retained losses		(17,093)	(15,017)
Currency translation reserve		<u>(79)</u>	<u>(27)</u>
Total equity		<u>(17,172)</u>	<u>(15,044)</u>

For the year ending 31 December 2017, the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476

The Director acknowledges his responsibility for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The accompanying notes on pages 9 to 17 form an integral part of the financial statements.

The financial statements of Soma Managements Limited, company registration number 08619760 were approved by the Board of Directors and authorised for issue on 24 September 2018. They were signed on its behalf by:



**William Richard Anderson**  
Chief Executive Officer



**SOMA MANAGEMENT LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**As at 31 December 2017**

	Share capital US\$'000	Currency translation reserve US\$'000	Retained losses US\$'000	Total equity US\$'000
Balance at 1 January 2016	-	(65)	(11,630)	(11,695)
Loss for the year	-	-	(3,387)	(3,387)
Other comprehensive income	-	38	-	38
Total comprehensive loss for the year	-	38	(3,387)	(3,349)
<b>Balance at 31 December 2016</b>	<b>-</b>	<b>(27)</b>	<b>(15,017)</b>	<b>(15,044)</b>
Loss for the year	-	-	(2,076)	(2,076)
Other comprehensive income	-	(52)	-	(52)
Total comprehensive loss for the year	-	(52)	(2,076)	(2,128)
<b>Balance at 31 December 2017</b>	<b>-</b>	<b>(79)</b>	<b>(17,093)</b>	<b>(17,172)</b>

The accompanying notes on pages 9 to 17 form an integral part of the financial statements.

**SOMA MANAGEMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 31 December 2017**

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**1. Accounting policies**

Soma Management is a Company limited by shares and was incorporated in England and Wales on 22 July 2013. The Company is domiciled in the UK.

The financial statements of Soma Management have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

These financial statements for the year ended 31 December 2017 are the first financial statements that comply with FRS 101. The date of transition is 1 January 2016. The transition to FRS 101 has not resulted in any changes to the accounting policies previously used.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: Disclosures'
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows)
  - 16 (statement of compliance with all IFRS)
  - 38a (requirement for minimum of two primary statements, including cash flow statements)
  - 111 (cash flow statement information); and
  - 134 – 136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

**Going concern**

Soma Management Limited does not generate revenue, and as such is reliant on funding from other Group companies. It has been deemed by Management that sufficient funding is available from the Group to ensure all operational expenditure commitments of Soma Management Limited will be met in the next calendar year as discussed in further detail in the Directors' Report on page 3.

**New standards, amendments and IFRIC interpretations**

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2017 have had a material impact on the company.

**Consolidation**

The Company is a wholly owned subsidiary of Soma Oil and Gas Holdings Limited, its ultimate parent. The Company is included in the consolidated financial statements of Soma Oil and Gas Holdings Limited, which are publicly available. Therefore the company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is 21 Arlington Street, St. James's, London, United Kingdom, SW1A 1RD.

These financial statements are separate financial statements.

**SOMA MANAGEMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 31 December 2017**

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**1 Accounting policies (continued)**

***Foreign currency***

***Functional and presentation currency***

The Company's functional currency is GB Pounds Sterling, being the currency of the majority of its transactions. The financial statements are presented in US Dollars in order to align their presentation with the other Group Company's financial statements.

As the presentational currency is different to the functional currency, assets and liabilities for each balance sheet presented (including comparatives) are translated at the closing rate at the date of that balance sheet. Income and expenses for each income statement (including comparatives) are translated at the monthly average exchange rates where these approximate the rates at the dates of the transactions. All resulting exchange differences arising are recognised in other comprehensive income and transferred to the Company's currency translation reserve.

***Foreign Currencies***

Transactions in foreign currencies are translated to the Company's functional currency at the month average foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

***Property, plant and equipment***

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write-off the costs of assets less their residual value over their estimated useful lives, using the straight-line method commencing in the month following the purchase, on the following basis:

Computer equipment	3 years
Fixtures and fittings	3 to 5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

***Impairment of property, plant and equipment***

At each balance sheet date, the Company reviews the carrying amount of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. For the purposes of impairment the Company's estimates the recoverable amount of the cash-generating unit to which assets belong.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation that would have been charged since the impairment.

**SOMA MANAGEMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 31 December 2017**

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**1 Accounting policies (continued)**

**Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less.

**Other income**

Other income is measured at the fair value of consideration received from a third party. The income relates to the agreed reimbursable amounts for costs incurred during the SFO investigation. These costs are covered by the Group's insurance policy. No income was received in the prior year.

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Current deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

**2 Critical judgements and key sources of estimation uncertainty**

The Directors' have conducted a review of the Company's critical judgements and key sources of estimation uncertainty. The Directors' have concluded that there are no critical judgements or key sources of estimation uncertainty when applying the Company's accounting policies.

**3 Other operating income**

	At 31 December 2017 US\$'000	At 31 December 2016 US\$'000
Other operating income	-	692

Other operating income comprises of monies agreed to be reimbursed to Soma through the Directors and Officers insurance policy. The claim was settled in 2016 and relates to legal expenses incurred in connection with the SFO investigation.

**SOMA MANAGEMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 31 December 2017**

**4 Administrative expenses**

The operating loss for the year includes the following administrative expenses:

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Remuneration for Directors of the Group (note 4)	694	1,307
Travel and subsistence	145	246
Rent and rates	160	241
Staff salaries	246	316
Legal and professional fees	53	756
Accountancy	75	118
Auditors' remuneration	-	20
Marketing and public relations	18	61
Consultancy fees	299	560
Kenyan branch recharge	147	215
Depreciation	2	19
Loss on disposal of property, plant and equipment	15	-
Bad debt write off	35	-
Other administrative expenses	187	227
	<b>2,078</b>	<b>4,086</b>

The Company has a service agreement in place with Soma Oil & Gas Exploration Limited, a company under common control. All costs incurred by the Kenyan Branch of Soma Oil & Gas Exploration Limited are recharged to the Company with a 10% uplift resulting in administrative expenses in the year of US\$147,000 (2016: US\$215,000).

**SOMA MANAGEMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2017

**5 Staff numbers and costs**

The average number of persons employed by the Company (including Directors) during the year was as follows:

	Year ended 31 December 2017 No.	Year ended 31 December 2016 No.
Average number of persons employed	<u>2</u>	<u>10</u>

Staff costs comprised:

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Wages and salaries	217	282
Social security costs	<u>29</u>	<u>34</u>
	<u>246</u>	<u>316</u>

The Directors' remuneration for the Company comprised:

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Directors' wages, salaries and benefits	597	657
Directors' consultancy fees	-	94
Directors' social security costs	<u>97</u>	<u>63</u>
	<u>694</u>	<u>814</u>

The remuneration of one of the Directors is borne by Soma Exploration, a company under common control, and no specific proportion of their remuneration is attributable to their services to the Company.

The Directors' remuneration borne by this company on behalf of other companies within the Group comprised:

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Directors' wages and salaries	52	448
Directors' social security costs	<u>-</u>	<u>45</u>
	<u>52</u>	<u>493</u>

**SOMA MANAGEMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 31 December 2017**

**6 Taxation**

UK corporation tax is calculated at 19.25% (2016: 20%) of the estimated taxable profit / (loss) for the year. Kenyan income tax is calculated at 37.5%, all costs incurred by the Kenyan Branch of the Company are recharged to Soma Management Limited with a 10% uplift resulting in an income tax charge in the year.

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Loss before tax	(2,076)	(3,387)
Income tax using the UK domestic corporation tax rate of 19.25% (2016: 20%)	400	677
Unutilised tax losses	(400)	(677)
Current tax charge	-	-

UK tax losses may be carried forward indefinitely and set off against future taxable profits. Deferred tax assets have not been recognised in respect of these items because it is not yet probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

**7 Property, plant and equipment**

	Fixture and fittings US\$'000	Computer equipment US\$'000	Total US\$'000
<b>Cost:</b>			
At 1 January 2016 and 31 December 2016	33	22	55
Disposals in the year	(24)	-	-
At 31 December 2017	9	22	31
<b>Depreciation:</b>			
At 1 January 2016	6	12	18
Charge for the year	11	8	19
At 31 December 2016	17	20	37
Charge for the year	1	1	2
Disposal	(9)	-	(9)
At 31 December 2017	9	21	30
<b>Net Book Value:</b>			
At 31 December 2016	16	2	18
At 31 December 2017	-	1	1

**SOMA MANAGEMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 31 December 2017**

**8 Prepayments and other receivables**

	At 31 December 2017 US\$'000	At 31 December 2016 US\$'000
<b>Due within one year:</b>		
Prepayments	60	69
VAT recoverable	9	108
Other receivables	40	619
	<u>109</u>	<u>796</u>

At 31 December 2017 \$nil (2016: US\$447,904) was due from Richard Anderson. On the 01 January 2016 he entered into a Director's loan agreement with the Company to provide a loan of up to \$500,000 during 2016. Of the balances drawn down an annualised interest rate of 3% accrued during the year, see note 12 for further details.

There are no balances within either prepayments made and other receivables that are past their due settlement date and no impairment has been deemed necessary during the year. The fair value of the receivables is equal to their carrying value.

**9 Trade and other payables**

	At 31 December 2017 US\$'000	At 31 December 2016 US\$'000
<b>Due within one year:</b>		
Amounts due to companies under common control	20,167	15,247
Trade payables	189	252
Accruals	61	681
Social security and other taxes	594	-
Other payables	-	-
	<u>21,011</u>	<u>16,180</u>

The fair value of the payables is equal to their carrying value.

**10 Share capital**

	At 31 December 2017 US\$'000	At 31 December 2016 US\$'000
<b>Number of shares</b>		
On issue at 31 December	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
1,000 ordinary shares of £0.00001 each	<u>-</u>	<u>-</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.



**SOMA MANAGEMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 31 December 2017**

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**11 Ultimate parent undertaking**

The Company's immediate parent company is Soma Oil & Gas Holdings Limited, a Company incorporated in the UK. Consolidated accounts for this entity are available at 21 Arlington Street, St. James's, London, United Kingdom, SW1A 1RD.

At 31 December 2017 Winter Sky owned 167,090,230 of the issued Ordinary shares representing 65.39% (2016: 50.4%) giving the entity ultimate control of the Group.

Soma Oil & Gas Holdings Limited is the only company for which consolidated accounts are prepared.