# Soma Oil & Gas Exploration Limited

Directors' report and financial statements

For the period from Incorporation (22 July 2013) to 31 December 2013

Company number 08619726

## Company Information

**Directors:**

Lord Howard of Lympne, CH, QC
Basil Shiblaq
Robert Allen Sheppard
Philip Edward Charles Wolfe
Hassan Khaire
Mohamad Ali Ajami

**Company Secretary:**

Peter Damouni

**Registered Number:** 08619726

**Address of registered office and principal place of business:**

2nd Floor
6 Dukes Street St James's
London
England
SW1Y 6BN

**Accountants:**

Capita Corporate Solutions (formerly Whale Rock Accounting)
Capita Asset Services
1st Floor
40 Dukes Place
London
EC3A 7NH

**Solicitors:**

Stephenson Harwood LLP
1 Finsbury Circus
London
EC2M 7SH

**Auditor:**

Deloitte LLP
2 New Street Square
London
EC3A 3BZ

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# Directors' report

The Directors present their report and audited financial statements for the period from incorporation (22 July 2013) to 31 December 2013.

Soma Oil & Gas Exploration Limited was incorporated in England and Wales on 22 July 2013.

**Principal activities**

The principal activity of Soma Oil & Gas Exploration Limited ("the Company" or "Soma Exploration") is exploration for oil and gas in the Federal Republic of Somalia.

**Business review**

The Company is a wholly owned subsidiary of a Group. The Group comprises of one parent Company, Soma Oil & Gas Holdings Limited (formerly Soma Oil & Gas Limited) who owns 100% of two subsidiaries, Soma Oil & Gas Exploration Limited and Soma Management Limited.

On 6 August 2013, Soma Exploration signed a Seismic Option Agreement ("SOA") with the Ministry of National Resources, Federal Government of Somalia. Under the terms of the SOA, Soma Exploration is required to undertake an exploration programme in the Federal Republic of Somalia over a two year period. If Soma Exploration fails to meet the requirements of the SOA then they would lose the right to apply for and be granted Production Sharing Agreements ("PSAs") covering an area of up to 60,000 sq km.

The above exploration programme comprises a 2D seismic acquisition programme across a 122,000 sq km Evaluation Area offshore Somalia agreed by the Ministry of National Resources, Federal Government of Somalia in December 2013. Under the terms of the SOA, Soma Exploration is required to spend US$15 million on the exploration programme, including a regional evaluation of historic geological data, undertaking a new seismic survey and providing the Federal Government of Somalia with the processed seismic data by August 2015.

On 30 December 2013, Soma Oil & Gas Holdings Limited signed a funding agreement with Winter Sky Investments Limited for US$50 million.

On 31 January 2014, Soma Exploration signed a contract with SeaBird Exploration of Norway to carry out the 2D seismic acquisition survey offshore Somalia.

On 2 June 2014, Soma Exploration successfully completed the acquisition of 20,500 km lines of 2D seismic data. Soma Exploration expects to complete the processing of the seismic data at the end of 2014 or early 2015.

To date Soma Exploration has spent approximately US$37.0 million on the exploration programme, exceeding the required spend under the SOA.

**Results and dividend**

The Company's loss for the period was US$19,000. The directors do not recommend payment of a dividend.

**Balance Sheet**

At 31 December 2013 the Company had a nil cash balance and total assets of US$1,063,000.

**Financial Risk Management**

The risks and the Company's process for management thereof are set out in Note 8 of the Financial Statements.

## Directors' report *(continued)*

### Risks and uncertainties

***Exploration risk***

The principal activity of the Company is the exploration for hydrocarbons. The Company runs the risk of its exploration projects failing to find hydrocarbons. The Company manages this risk through extensive and detailed reserve surveys prior to any significant exploration activity actually taking place.

***Regulatory risk***

The Company has experienced and may continue to experience a high level of regulatory risk given its involvement in the Federal Republic of Somalia.

***Oil and gas price risk***

The potential for oil and gas prices to fluctuate over any given period could put the commerciality of certain partnerships and related corporate transactions at risk.

***Foreign exchange risk***

Any future proceeds from the Company's oil and natural gas sales are expected to be in US Dollars. Whilst the majority of the expenditure is also in US Dollars, the Company has general and administrative expenses with respect to its group office in London and its offices in Mogadishu and Nairobi. Hence the Company is exposed to foreign exchange risk against GB Pounds Sterling and in the future Somali Shilling and Kenya Shilling, which may have positive or negative consequences for the Company's overall profitability.

During the period, the Group did not enter into any financial instruments to hedge this potential foreign exchange risk.

***Tax risk***

The Company is subject to sales, employment and corporation taxes and the payment of certain royalties in local jurisdictions in which it operates. The application of such taxes may change over time due to changes in laws, regulations or interpretations by the relevant tax authorities. Whilst no material changes are anticipated in such taxes, any such changes may have a material adverse effect on the Company's financial condition and results of operations.

***Political risk***

The Federal Government of Somalia faces numerous challenges to its authority including Islamist militancy, ethnic and clan rivalries, separation and limited financial resources.

The value of the Company may be negatively affected by political uncertainties such as changes in Somalia government policies, taxation and currency repatriation restriction, as well as changes in law and economic impact of regional and international political events.

The Company monitors government policies to minimize their effects on the value of the Company.

### Directors

The directors who held office during the period were as follows:

| | |
|---|---|
| Lord Howard of Lympne, CH, QC | (appointed 27 July 2013) |
| Basil Shiblaq | (appointed 27 July 2013) |
| Robert Allen Sheppard | (appointed 31 July 2013) |
| Philip Edward Charles Wolfe | (appointed 16 September 2013) |
| Hassan Khaire | (appointed 4 November 2013) |
| Mohamad Ali Ajami[1] | (appointed 5 December 2013, resigned 5 December 2013) |

### Going concern

The financial statements have been prepared on the going concern basis, which the Directors believe to be appropriate as the Group had cash resources of US$35,000,000 at the end of December 2013.

[1]Mohamad Ajami sits on the Board of the Parent Company, Soma Oil & Gas Holdings Limited

## Directors' report *(continued)*

The Parent Company, Soma Oil & Gas Holdings Limited, is to provide funding to the Company as necessary. The going concern of the Company relies on and will be ensured by the Parent.

**Disclosure of information to auditors**

As far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware. In addition, each Director has taken all the steps he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Pursuant to Section 485 of the Companies Act 2006, Deloitte LLP was appointed on 21 August 2013 as auditor of the Company. Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

The Director's report has been prepared in accordance with the provisions applicable to the companies entitled to the small companies' exemption. No strategic report has been prepared in accordance with those provisions.

**ON BEHALF OF THE BOARD:**

**Robert Allen Sheppard**
Chief Executive Officer
17 September 2014

**Philip Edward Charles Wolfe**
Chief Financial Officer
17 September 2014

# Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 the Company's financial statements for each financial year. Under that law they have elected to prepare the Company's financial statements in accordance with International Financial Reporting Standards as adopted by the EU 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 each of the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (www.somaoilandgas.com).

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation *in other jurisdictions.*

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOMA OIL & GAS EXPLORATION LIMITED**

We have audited the financial statements of Soma Oil & Gas Exploration Limited for the period ended 31 December 2013 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report.

Bevan Whitehead (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
17 September 2014

## Income Statement
**For period ended 31 December 2013**

| | Note | For the period ended 31 December 2013 US$'000 |
|---|---|---|
| Administrative expenses | 2 | (19) |
| **Operating loss** | | (19) |
| Finance income | | - |
| Finance costs | | - |
| **Loss before tax** | | (19) |
| Taxation | 4 | - |
| ***Loss for the period being total comprehensive loss for the period*** | | (19) |

All of the above results are derived from continuing operations.

There was no other comprehensive income in the year.

The accompanying notes on pages 11 to 14 form an integral part of the financial statements.

## Statement of Financial Position
**As at 31 December 2013**

| | Note | 31 December 2013 US$'000 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 5 | 1,059 |
| | | **1,059** |
| **Current assets** | | |
| Trade and other receivables | 6 | 4 |
| | | 4 |
| **Total assets** | | **1,063** |
| **Current liabilities** | | |
| Trade and other payables | 7 | (1,082) |
| | | **(1,082)** |
| **Net liabilities** | | **(19)** |
| **Equity** | | |
| Share capital | 9 | - |
| Retained losses | | (19) |
| **Equity shareholder's deficit** | | **(19)** |

The accompanying notes on pages 11 to 14 form an integral part of the financial statements.

These financial statements were approved by the Board of directors on 17 September 2014 and were signed on its behalf by:

**Philip Edward Charles Wolfe**
Chief Financial Officer

**Company Registered Number: 08619726**

## Statement of Changes in Equity
**For the period ended 31 December 2013**

| | Share capital US$'000 | Retained earnings US$'000 |
|---|---|---|
| Balance at 22 July 2013 | - | - |
| Loss for the period | - | (19) |
| Total comprehensive loss for the period | - | (19) |
| **Balance at 31 December 2013** | **-** | **(19)** |

The accompanying notes on pages 11 to 14 form an integral part of the financial statements.

No cash flow statement has been included as the Company had no cash or cash equivalents in the period. Accordingly no cash transactions have been incurred by the Company during the period

# Notes
*(forming part of the financial statements)*

## 1 Accounting policies

Soma Oil & Gas Exploration Limited (the "Company") is a Company incorporated on 22 July 2013 and domiciled in the UK.

The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and under the historical cost convention.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The directors have not had to make judgements or estimates in the application of these accounting policies that have had a significant effect on the financial statements.

Standards issued but not yet effective

| | | |
|---|---|---|
| IFRS 10, 'Consolidated financial statements' and corresponding amendment to IAS 27, 'Consolidated and separate financial statements' | IFRS 10 replaces guidance in IAS 27 regarding the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. | 1 Jan 2014 |
| IFRS 11, 'Joint Arrangements' | IFRS 11 identifies joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed. | 1 Jan 2014 |
| Amendment to IAS 28, 'Associates and joint ventures' | IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. | 1 Jan 2014 |
| IFRS 12, 'Disclosure of interests in other entities' | Provides disclosure requirements for IFRS 10, IFRS 11 and IAS 28 (Associates) and introduces disclosure requirements for unconsolidated structured entities. | 1 Jan 2014 |
| Amendment to IAS 32, Offsetting Financial Assets and Financial Liabilities | The amendments clarify existing application issues relating to the offsetting requirements of financial assets and liabilities | 1 Jan 2014 |

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company when the relevant standards and interpretations come into effect.

### *Going concern*

The financial statements have been prepared on the going concern basis. Currently the Company is financed by the Parent Company, Soma Oil & Gas Holdings Limited. The consolidated accounts of the Group reflect the same basis of preparation as the Company.

### *Foreign currency*

The Company's functional currency is US Dollar, being the currency of the majority of its transactions.

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.

**1 Accounting policies** *(continued)*

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.

***Exploration and evaluation assets***

The Company follows the successful efforts method of accounting for intangible exploration and evaluation (E&E) costs. All licence acquisition, exploration and evaluation costs are initially capitalised as intangible assets in cost centres by field or exploration area, as appropriate, pending determination of commerciality of the relevant property. Directly attributable administration costs are capitalised in so far as they relate to specific exploration activities. Pre-licence costs and general exploration costs not specific to any particular licence or prospect are expensed as incurred.

If prospects are deemed to be impaired ('unsuccessful') on completion of the evaluation, the associated costs are charged to the income statement. If the field is determined to be commercially viable, the attributable costs are transferred to property, plant and equipment in single field cost centres.

***Development and production assets***

Development and production assets are accumulated generally on a field-by-field basis within Property, Plant and Equipment and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the exploration and evaluation expenditures incurred in finding commercial reserves transferred from intangible exploration and evaluation assets as outlined above.

The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, and the cost of recognising provisions for future restoration and decommissioning.

***Depletion, amortisation and impairment – development and production assets***

Expenditure carried within each field will be amortised from the commencement of production on a unit of production basis, which is the ratio of oil or gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

***Commercial reserves***

Commercial reserves (2P) are proven and probable natural gas reserves, which are defined as the estimated quantities of natural gas which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent. statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent. statistical probability that it will be less.

***Taxation***

Tax on the profit or loss for the period 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 period, 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.

## 1 Accounting policies *(continued)*

***Financial Instruments***

Financial assets and financial liabilities are recognised on the balance sheet when the Company has become a party to the contractual priorities of the instrument.

*Trade and other receivables*

Trade and other receivables are measured at their initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. Trade receivables are disclosed within these financial statements as loans and receivables.

*Trade and other payables*

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method. Trade payables are disclosed within these financial statements as other financial liabilities.

*Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## 2 Expenses and auditor's remuneration

Included in operating loss are the following:

| | Period ended 31 December 2013 US$'000 |
|---|---|
| Auditor's remuneration for statutory audit of the Company | 10 |
| Unrealised foreign exchange loss | 9 |
| | 19 |

The auditor fee for the period was paid by another group Company, Soma Management Limited. No other fees were paid by the Company to the auditor.

## 3 Staff numbers and costs

The average number of persons employed by the Company during the period, analysed by category, was as follows:

| | Number of employees 2013 |
|---|---|
| Management | 0 |
| | 0 |

There was no remuneration paid to the directors of this Company in the current period. The directors salaries are borne by Soma Management Limited.

## 4 Taxation

The Company has incurred tax losses for the period and a corporation tax charge is not anticipated. The amount of the unutilised tax losses has not been recognised in the financial statements as the recovery of this benefit is dependent on the future profitability of certain subsidiaries, the timing of which cannot be reasonably foreseen.

| | **Period ended 31 December 2013 US$'000** |
|---|---|
| *Loss before taxation* | 19 |
| Loss before taxation at the standard rate of corporation tax in the UK of 20% | 4 |
| Unutilised tax losses carried forward | (4) |
| Current tax charge | - |

## 5 Intangible assets

| | **Exploration and evaluation assets 2013 US$'000** |
|---|---|
| **Cost** | |
| Balance at 22 July | - |
| Acquisitions | 1,059 |
| Balance at 31 December | 1,059 |
| **Depreciation and impairment** | |
| Balance at 22 July | - |
| Amortisation charge for the period | - |
| Balance at 31 December | - |
| **Net book value** | |
| **At 31 December** | 1,059 |

At the balance sheet date the group had no capital commitments not provided for.

## 6 Trade and other receivables

| | **2013** |
|---|---|
| **Due within a year:** | **US$'000** |
| VAT recoverable | 4 |
| | 4 |

There were no trade receivables held by the Company at 31 December 2013, therefore there is no average credit period taken on the sale of goods.

The Company did not make any sales during the period and therefore has no specific credit scoring policy with regards to measuring the credit quality of potential new customers. The Company currently has no specific policy for providing against overdue invoices. A policy will be implemented when the Company starts making sales.

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

## 7 Trade and other payables

| | 2013 US$'000 |
|---|---|
| **Due within a year:** | |
| Trade payables | 258 |
| Accruals | 824 |
| | 1,082 |

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

## 8 Financial instruments

The Company is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Company for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

### Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as stated below.

At 31 December 2013, the Company held no financial assets as VAT Recoverable is not classified as a financial instrument.

The Company had the following financial liabilities:

| **Other financial liabilities** | 2013 US$'000 |
|---|---|
| Trade and other payables | 1,082 |
| | 1,082 |

All of the Company's financial liabilities in the period to 31 December 2013 are either payable or receivable within one year.

### Capital risk

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

The Company has no externally imposed capital requirements, as it is wholly funded by the Group.

### Foreign currency risk

As highlighted earlier in these financial statements, the functional currency of the Company is US Dollar. All of the Company's future sales will be denominated in US Dollar as are the majority of its future expected costs, with a small number of costs being denominated in GB Pounds Sterling, Somalia Shillings and Kenya Shillings. Exposures to exchange rate fluctuations are therefore minimal.

The Group has not entered into any derivative financial instruments to manage its exposure to foreign currency risk.

The Company does not believe that it has any significant exposure to foreign currency risk, therefore no sensitivity analysis has been performed.

### Interest rate risk

The Company does not have any borrowings or cash deposits and therefore has no significant exposure to interest rate risk.

### Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Company. The Company gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk.

**8 Financial instruments (continued)**

At 31 December 2013, the Company held no collateral as security against any financial asset. No financial assets were past their due date and there were no problems with the credit quality of any financial asset in either period. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk. There has been no impairment of financial assets during the period.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow and secures the necessary estimated funding before committing to expenditures.

**9 Share capital**

| | **2013** |
|---|---|
| **Number of shares** | |
| On issue at 31 December 2013 | **1,000** |

| | **US$** |
|---|---|
| **Allotted, called up and fully paid** | |
| 1,000 ordinary shares of £0.00001 each | - |

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.

**10 Related parties**

There were no related party transactions in the current period. However an inter-Company loan with the Parent Company, Soma Oil & Gas Holdings Limited is expected in 2014 as the Company is financially reliant on it.

**11 Ultimate parent undertaking**

At 31 December 2013, the ultimate parent company is considered to be Soma Oil & Gas Limited BVI, incorporated in the British Virgin Islands. Soma Oil & Gas Limited BVI is controlled by Basil Shiblaq and Iyad Shiblaq.

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 2nd Floor, 6 Duke Street St James's, London, England, SW1Y 6BN.

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

**12 Subsequent events**

On the 2 June 2014, the group finalised the 2D seismic acquisition programme, completing 20,500 km lines of 2D seismic data.

CAPITA

Asset Services

**Companies House**
4 Abbey Orchard Street
Westminster
London
SW1P 2HT

18 September 2014

Dear Sirs

**Account Filings**

Please find enclosed signed accounts for the following companies:

- Soma Oil & Gas Exploration Limited (Company Number 08619726)
- Soma Management Limited (Company Number 08619760)
- Soma Oil & Gas Holdings Limited. (Company Number 08506858)

Please could you kindly date stamp the accounts before forwarding to Cardiff.

Yours sincerely

Tanya Hutchinson
For and on behalf of Capita Company Secretarial Services
Secretary

Tanya.hutchinson@capita.co.uk