

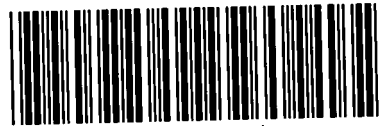
Soma Oil & Gas Exploration Limited

Annual Report and Unaudited Financial Statements

For the year ended 31 December 2017

Company number 08619726

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SOMA OIL & GAS EXPLORATION LIMITED

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SOMA OIL & GAS EXPLORATION LIMITED

COMPANY INFORMATION

| | |
|--|---|
| DIRECTORS: | William Richard Anderson |
| COMPANY SECRETARY: | Peter Damouni |
| REGISTERED OFFICE: | 21 Arlington Street St. James's London United Kingdom SW1A 1RD |
| REGISTERED NUMBER: | 08619726 (United Kingdom) |
| ANTI-BRIBERY & CORRUPTION LEGAL ADVISERS: | Paul Hastings LLP 10 Bishops Square London E1 6EG |
| OIL & GAS LEGAL ADVISERS: | Akin Gump Strauss Hauer & Feld LLP Ten Bishops Square, 8 th Floor London E1 6EG |

SOMA OIL & GAS EXPLORATION LIMITED
DIRECTOR'S REPORT
For the year ended 31 December 2017

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

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

PRINCIPAL ACTIVITIES

The principal activity of Soma Exploration is exploration for oil and gas in the Federal Republic of Somalia.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Soma Exploration continues to act as an exploration company within the Federal Republic of Somalia. The Directors continue to seek opportunities to further grow the business and obtain offshore licences to commence the development phase of the oil exploration work undergone.

RESULTS AND DIVIDENDS

The Company's loss for the year was US\$51,000 (2016: loss for the year of US\$42,000). The Directors do not recommend payment of a dividend.

DIRECTORS

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

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

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 Exploration 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 Exploration 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 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 OIL & GAS EXPLORATION LIMITED
DIRECTOR'S REPORT
For the year ended 31 December 2017

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 OIL & GAS EXPLORATION LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2017

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 OIL & GAS EXPLORATION 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 operating income | | 147 | 215 |
| Administrative expenses | 4 | (198) | (251) |
| Operating loss | | (51) | (36) |
| Interest income | | - | 2 |
| Loss before tax | | (51) | (34) |
| Taxation | 6 | - | (8) |
| Total comprehensive loss for the year | | (51) | (42) |

All of the above results are derived from continuing operations.

There was no other comprehensive income in the year.

The accompanying notes on pages 8 to 16 form an integral part of the financial statements.

SOMA OIL & GAS EXPLORATION LIMITED
STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2017

| | Notes | At 31 December 2017 US\$'000 | At 31 December 2016 US\$'000 |
|--|-------|------------------------------------|------------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangibles: exploration and evaluation assets | 7 | 43,142 | 42,983 |
| Property, plant and equipment | 8 | <u>15</u> | <u>15</u> |
| | | 43,142 | 42,998 |
| Current assets | | | |
| Prepayments and other receivables | 9 | 23 | 92 |
| Cash in bank and on hand | | <u>406</u> | <u>369</u> |
| | | 429 | 461 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | <u>(43,676)</u> | <u>(43,513)</u> |
| | | (43,676) | (43,513) |
| Net current liabilities | | (43,247) | (43,052) |
| Net liabilities | | <u>(105)</u> | <u>(54)</u> |
| Equity | | | |
| Share capital | 13 | - | - |
| Retained losses | | <u>(105)</u> | <u>(54)</u> |
| Total equity | | (105) | (54) |

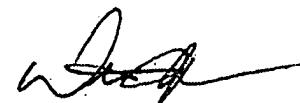
For the year ending 31 December 2017, the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

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 8 to 16 form an integral part of the financial statements.

The financial statements of Soma Oil & Gas Exploration Limited, company registration number 08619726 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 OIL & GAS EXPLORATION LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

| | Share capital US\$'000 | Retained losses US\$'000 | Total equity US\$'000 |
|---|---------------------------------------|---|----------------------------------|
| Balance at 1 January 2016 | - | (12) | (12) |
| Profit for the year | - | (42) | (42) |
| Total comprehensive profit for the year | - | (42) | (42) |
| Balance at 31 December 2016 | - | (54) | (54) |
| Balance at 1 January 2017 | - | (54) | (54) |
| Loss for the year | - | (51) | (51) |
| Total comprehensive loss for the year | - | (105) | (105) |
| Balance at 31 December 2017 | - | (105) | (105) |

The accompanying notes on pages 8 to 16 form an integral part of the financial statements.

SOMA OIL & GAS EXPLORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. Accounting policies

Soma Exploration 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 Exploration 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 result 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

Neither Soma Exploration Limited nor the Group generates revenue, and as such the Company is reliant on funding from its Parent Company, which in turn is reliant on funding from the Group's shareholders. This gives rise to a material uncertainty which may cast doubt over the Company's ability to continue as a going concern, as discussed in further detail in the Directors' report on page 2.

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, it's 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 OIL & GAS EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

1. Accounting policies (continued)

Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Foreign currency

Functional and presentation currency

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

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.

Oil and gas properties

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.

SOMA OIL & GAS EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

1. Accounting policies (continued)

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 year to the estimated quantities of commercial reserves at the end of the year plus the production in the year, 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.

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 |
| Motor vehicles | 3 years |

Oil and gas properties – see above

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 income.

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 OIL & GAS EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

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.

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.

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 Critical judgements and key sources of estimation uncertainty

Critical judgements

2.1 Exploration and Evaluation assets

The Company balance sheet includes significant E&E assets (see Note 7). Management is required to exercise judgement in selecting an appropriate accounting policy for the capitalisation, or otherwise, of costs incurred in connection with the acquisition of E&E rights and costs of E&E activities to exploit those rights. The Group's accounting policy is set out in Note 1. Judgement is required in assessing whether E&E rights are sufficient to support the commencement of cost capitalisation. The SOA entitles the Group to apply and negotiate for PSAs over an area of up to 60,000 sq. km and therefore the Group consider its E&E rights under the SOA are sufficient to support asset recognition.

Further judgement is involved in applying the Company's accounting policy to certain categories of costs, such as the Capacity Building Payments and Data Room costs as further described in the Strategic Report. Management capitalises such costs as they are considered directly attributable to the conversion of the Company's current E&E rights under the SOA into future exploration and production rights under a number of PSAs.

SOMA OIL & GAS EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

2 Critical judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

2.2 Exploration and Evaluation asset recoverability

E&E assets are required to be assessed for indications of impairment at least at each balance sheet date, with reference to the indicators of impairment set out in IFRS 6 Exploration and Evaluation of Mineral Resources. Such assessment often requires significant judgement, such as whether substantive further E&E activity is planned, and whether rights to explore in the specific area will expire in the near future. Having considered these uncertainties in the light of all of the information currently available, in management's judgement the Company's E&E assets were not impaired at 31 December 2017.

3 Other operating income

| | Year ended 31 December 2017 US\$'000 | Year ended 31 December 2016 US\$'000 |
|------------------------|---|---|
| Kenyan branch recharge | 147 | 215 |

The Company has a service agreement in place with Soma Management Limited, a company under common control. All costs incurred by the Companies Kenyan Branch are recharged to Soma Management Limited with a 10% uplift resulting in other operating income in the year of US\$147,000 (2016: US\$215,000) which is on costs incurred in both 2017 and 2016.

4 Administrative expenses

Included in operating loss are the following:

| | Year ended 31 December 2017 US\$'000 | Year ended 31 December 2016 US\$'000 |
|-------------------------------|---|---|
| Travel and subsistence | 9 | 50 |
| Depreciation | 15 | 23 |
| Staff salaries | 54 | 45 |
| Rent and rates | 28 | 32 |
| Auditor's remuneration | 5 | 28 |
| Kenyan tax charges | - | 29 |
| Other administrative expenses | 87 | 44 |
| | 198 | 251 |

SOMA OIL & GAS EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

5. Staff numbers and costs

The average number of persons employed by the Company during the year was as follows:

| | Year ended 31 December 2017 No. | Year ended 31 December 2016 No. |
|------------------------------------|--|--|
| Average number of persons employed | <u>1</u> | <u>2</u> |

Staff costs comprised:

| | Year ended 31 December 2017 US\$'000 | Year ended 31 December 2016 US\$'000 |
|-----------------------|---|---|
| Wages and salaries | 34 | 34 |
| Social security costs | <u>20</u> | <u>11</u> |
| | <u>54</u> | <u>45</u> |

The Directors' remuneration comprised:

| | Year ended 31 December 2017 US\$'000 | Year ended 31 December 2016 US\$'000 |
|-------------------------------|---|---|
| Directors' wages and salaries | <u>52</u> | <u>374</u> |
| | <u>52</u> | <u>374</u> |

A total of US\$52,000 (2016: US\$374,000) in relation to Directors remuneration has been capitalised as part of Exploration and Evaluation assets (Note 7).

The remuneration for the remainder of the Directors is borne by Soma Management, a company under common control. No specific proportion of their remuneration is attributable to their services to the Company.

SOMA OIL & GAS EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 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 the 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 | (51) | (34) |
| Income tax using the UK domestic corporation tax rate of 19.25% (2016: 20%) | (10) | (40) |
| Kenyan Branch income tax | - | 8 |
| Unutilised tax losses | 10 | 40 |
| Current tax charge | - | 8 |

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 Group can utilise the benefits therefrom.

7 Intangible assets

| | Exploration and evaluation assets US\$'000 |
|--|--|
| Cost: | |
| At 1 January 2016 | 42,232 |
| Additions in the year | 751 |
| At 31 December 2016 | 42,983 |
| Additions in the year | 159 |
| At 31 December 2017 | 43,142 |
| Amortisation and impairment: | |
| At 1 January 2016 and 31 December 2016 | - |
| Amortisation charge for the year | - |
| At 31 December 2017 | - |
| Net book value: | |
| At 31 December 2016 | 42,983 |
| At 31 December 2017 | 43,142 |

SOMA OIL & GAS EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

8 Property, plant and equipment

| | Motor vehicles US\$'000 | Fixtures and fittings US\$'000 | Computer equipment US\$'000 | Total US\$'000 |
|---|-------------------------------|--------------------------------------|-----------------------------------|-------------------|
| Cost: | | | | |
| At 1 January 2016 and 31 December 2016 | <u>126</u> | <u>64</u> | <u>6</u> | <u>196</u> |
| Disposals in the year | <u>(126)</u> | <u>-</u> | <u>-</u> | <u>(126)</u> |
| At 31 December 2016 | <u>-</u> | <u>64</u> | <u>6</u> | <u>70</u> |
| At 31 December 2017 | <u>-</u> | <u>64</u> | <u>6</u> | <u>70</u> |
| Depreciation: | | | | |
| At 1 January 2016 | <u>60</u> | <u>29</u> | <u>3</u> | <u>92</u> |
| Charge for the year | <u>-</u> | <u>21</u> | <u>2</u> | <u>23</u> |
| Disposal in the year | <u>(60)</u> | <u>-</u> | <u>-</u> | <u>(60)</u> |
| At 31 December 2016 | <u>-</u> | <u>50</u> | <u>5</u> | <u>55</u> |
| Charge for the year | <u>-</u> | <u>14</u> | <u>1</u> | <u>15</u> |
| At 31 December 2017 | <u>-</u> | <u>64</u> | <u>6</u> | <u>70</u> |
| Net Book Value: | | | | |
| At 31 December 2016 | <u>-</u> | <u>14</u> | <u>1</u> | <u>15</u> |
| At 31 December 2017 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

9 Prepayments and other receivables

| | At 31 December 2017 US\$'000 | At 31 December 2016 US\$'000 |
|---------------------------|------------------------------------|------------------------------------|
| Due within a year: | | |
| Prepayments | - | 3 |
| VAT recoverable | 4 | 2 |
| Other receivables | <u>19</u> | <u>87</u> |
| | <u>23</u> | <u>92</u> |

There were no trade receivables held by the Company at 31 December 2017 (2016: nil), therefore there is no average credit year taken on the sale of goods.

There are no balances within either prepayments made or 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.

SOMA OIL & GAS EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

10 Trade and other payables

| | At 31 December 2017 US\$'000 | At 31 December 2016 US\$'000 |
|---|------------------------------------|------------------------------------|
| Due within a year: | | |
| Amounts due to companies under common control (note 15) | 43,558 | 43,436 |
| Trade payables | 48 | 11 |
| Accruals | 70 | 66 |
| | <u>43,676</u> | <u>43,513</u> |

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

11 Operating lease commitments

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 31 December 2017 US\$'000 | 31 December 2016 US\$'000 |
|-------------------|---------------------------------|---------------------------------|
| Within one year | 26 | 21 |
| Within 2 -5 years | <u>64</u> | <u>64</u> |

12 Share capital

| | At 31 December 2017 US\$'000 | At 31 December 2016 US\$'000 |
|---|------------------------------------|------------------------------------|
| Number of shares | | |
| In issue at 31 December | <u>1,000</u> | <u>1,000</u> |
| Allotted, called up and fully paid | | |
| 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.

13 Related party transactions

On 23 February, Hassan Khairi a Director of the Company resigned and was simultaneously elected to be the Prime Minister of Somalia. To ensure no existing conflicts of interest or ties with the Group, he agreed to forfeit his entire shareholding, share options accumulated in Soma Oil and Gas Holdings.

Soma Oil and Gas Exploration Limited relinquished the debt due from Hassan for the acquisition of a motor vehicle. A charge to other administrative expenses of US\$67,868 has been recognised during the year for the total amount.

14 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.