

SOCO at a Glance

\$32.3m
post tax profits

6,316
BOPD

We are an international oil and gas exploration and production company headquartered in London and listed on the London Stock Exchange. The Company has designated core areas in South East Asia, the Middle East and West Africa regions and employs a strategy for building shareholder value through a portfolio of oil and gas assets by focusing on:

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RECOGNISING OPPORTUNITY

By cultivating relationships and having early access into regions, projects or situations where there is potential to create significant upside through the Company's participation.

CAPTURING POTENTIAL

By adding the Company's managerial, technical and commercial expertise to progress activities through the formative stages or through periods of difficulty.

REALISING VALUE

By locking in returns, regardless of the phase of the project life cycle, once the Company's capability to add value begins to diminish.

Financial Highlights

\$m	2007	2006	2005
Revenue from continuing operations	98.4	76.5	57.2
Net cash inflow from operating activities	49.0	33.2	30.5
Net cash and deposits	68.3	187.8	51.0
Net assets	329.0	295.8	266.2

2007 Highlights

OPERATIONAL

Development

- ▶ Progress towards first oil in Vietnam and Thailand

Exploration

Vietnam

- ▶ Extension of exploration licence on Block 16-1 in Vietnam
- ▶ Unconfirmed significant new discovery on Block 16-1

West Africa

- ▶ Continued expansion of the West African portfolio by adding a Block in Angola

FINANCIAL

- ▶ Post Tax profits rose to a record high of \$32.3 million [2006 : \$29.1 million]
- ▶ Post year end disposal of Yemen assets will realise \$465 million for reinvestment into existing and new exploration and development opportunities

2008 Outlook

Vietnam

- ▶ The CNV field on Block 9-2 will come on-stream mid-year
- ▶ The Company is confident that the TGT field on Block 16-1 will be declared commercial

Thailand

- ▶ First production from Bualuang field expected during the second quarter

West Africa

- ▶ First of multiple wells to spud in West Africa on Marine XI during the second half

SOCO Around the World

YEMEN

Block: East Shabwa Block 10

Location: Say'un-Al Masilah Basin, eastern Yemen

Operational phase: Production/development/exploration

Project partners: Total, Occidental, Kufpec

SOCO Yemen interest: 17% pending sale completion

D.R. CONGO (KINSHASA)

Block: Nganzi and Block 5

Location: Nganzi: Onshore North Congo Basin, western DRC

Block 5: Albertine Graben, eastern DRC

Operational phase: Block evaluation

Project partners: Nganzi: Cohydro

Block 5: Dominion, Cohydro

SOCO E&P DRC interest: Nganzi: 85%, Block 5: 38%

CONGO (BRAZZAVILLE)

Block: Marine XI

Location: North Congo Basin, offshore Republic of Congo (Brazzaville)

Operational phase: Block evaluation

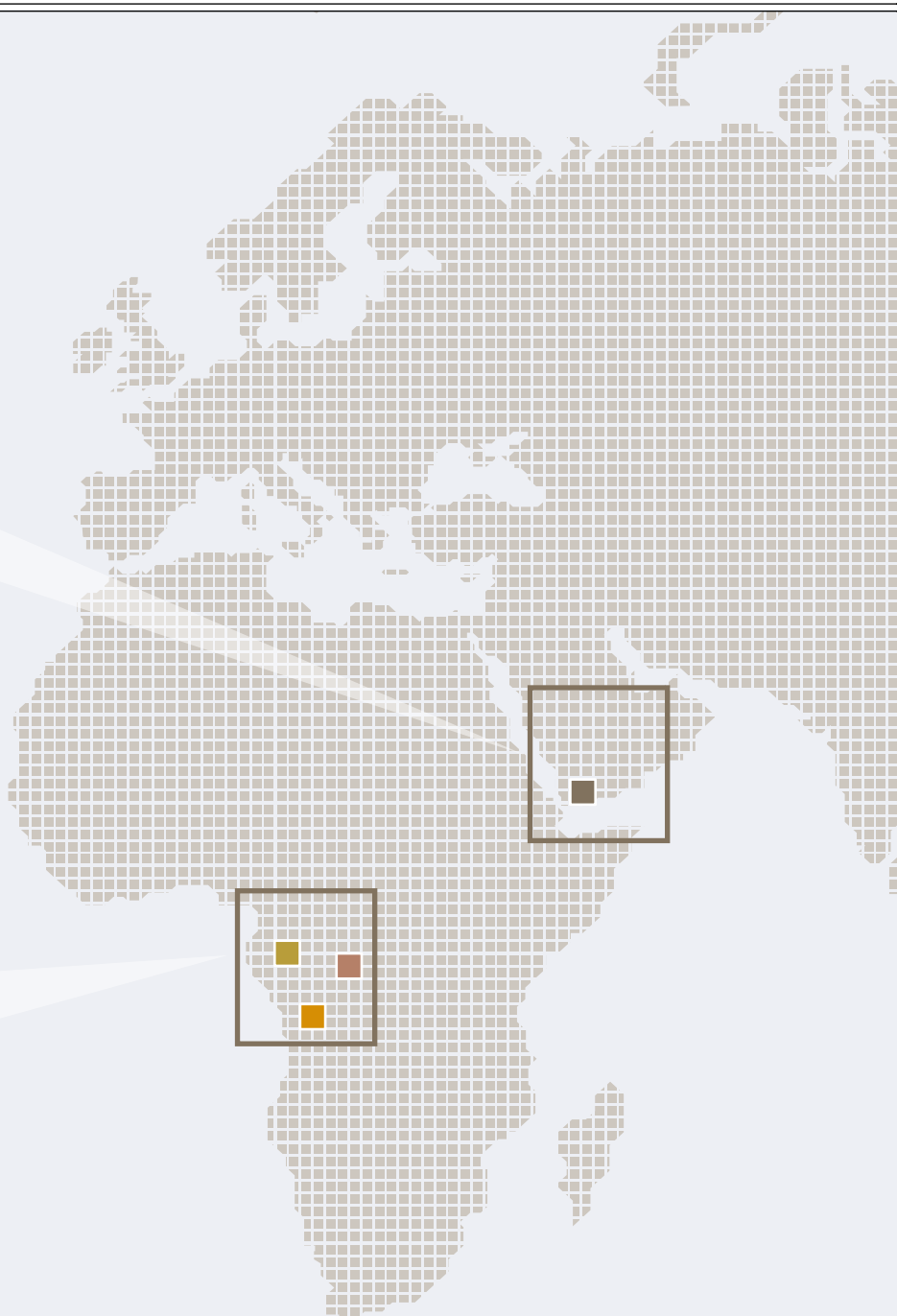
Project partners: SNPC, AOGC, Lundin, Raffia Oil

SOCO EPC interest: 38%, pending farm-out

Yemen



Africa Region



ANGOLA

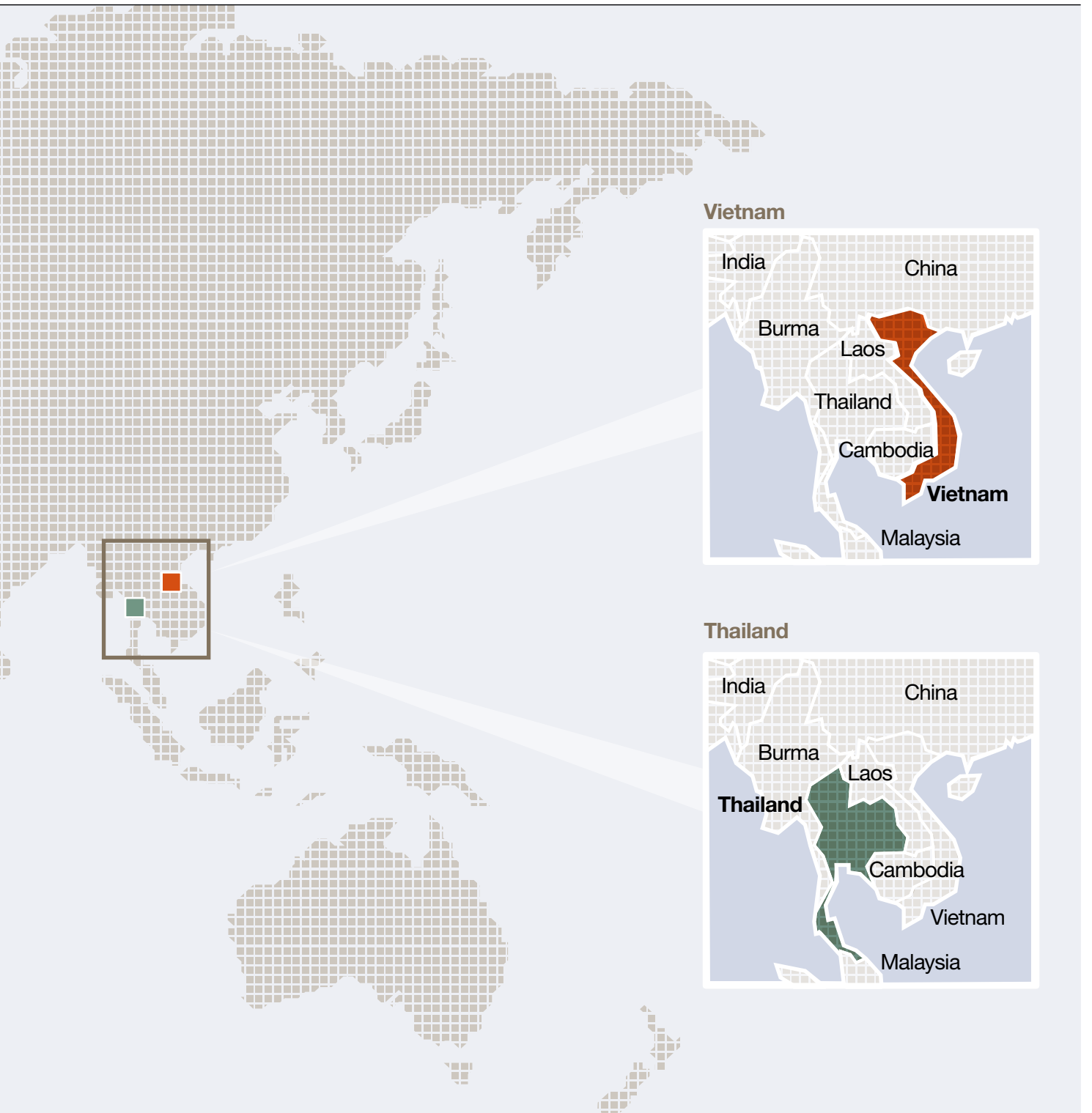
Block: Cabinda Onshore North Block
Location: North Congo Basin, onshore western Cabinda
Operational phase: Block evaluation
Project partners: Sonangol P&P, Teikoku Oil, Angola Consulting Resources
SOCO Cabinda interest: 17%

VIETNAM

Block: 16-1 and 9-2
Location: Cuu Long Basin, offshore south east Vietnam
Operational phase: Exploration/appraisal/field development
Project partners: Petrovietnam, PTTEP Thailand
SOCO Vietnam interest: Block 16-1: 29%, Block 9-2: 25%
OPECO Vietnam interest: Block 16-1: 2%

THAILAND

Block: Bualuang field Block B8/38
Location: Western Basin, offshore Thailand
Operational phase: Field development
Farm-in partner: Salamander
SOCO Thai interest: 100%, pending farm-out



10 Years of Growth

Throughout the past 10 years SOCO has demonstrated its core values of recognising opportunities, capturing potential and realising value:

MAY 1997

SOCO lists on the London Stock Exchange – the largest listing on the LSE of an oil and gas exploration and production company since 1984.



DECEMBER 1997

Production begins from SOCO's Yemen interest.

DECEMBER 1999

SOCO awarded Petroleum Contract on Block 16-1 in Vietnam.



SEPTEMBER 2002

Discovery on Block 9-2 Ca Ngu Vuang.

1998



JUNE 1998

Production commences from the Group's Tunisia asset.

1999

OCTOBER 1999

The Company sells its UK onshore asset.

2000

DECEMBER 2000

SOCO signs Petroleum Contract for Block 9-2 in Vietnam.

2001



NOVEMBER 2001

The Group disposes of its Russia asset.

2002



DECEMBER 2004

Sale of Tunisia asset completed.

MAY 2006

SOCO raises \$250 million by issuing convertible bonds.



AUGUST 2006

Sale of the Group's Mongolia assets completes.

2003



SEPTEMBER 2003

SOCO announces the start of production from the Basement discovery in Yemen.

2004

2005

AUGUST 2005

SOCO announces new discovery on Block 16-1 Vietnam –Te Giac Trang.

AUGUST 2005

SOCO enters its new core area in West Africa upon signing a Production Sharing Agreement on the Marine XI Block in Congo (Brazzaville).

2006

2007

AUGUST 2007

SOCO adds to its Africa portfolio by acquiring an interest in the Cabinda North Blocks in addition to its Marine XI and Nganzi Blocks.

FEBRUARY 2008

SOCO announces the conditional sale of its Yemen asset.

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

Dear Shareholders

Our philosophy since inception has been that we believe the bulk of value creation in the independent oil and gas sector comes through the drill bit. We believe that the past year, while inconclusive regarding our high profile exploration programme in Vietnam, very much lends credence to this philosophy.

Our persistence in pursuing the potential in what was once a rather unconventional play type in Yemen continued to reap dividends as we once again had a reserves upgrade on Block 10. The culmination of our efforts in Yemen most likely will be our realisation of value from the project as, in February 2008, the Company announced it had entered into a conditional sale and purchase agreement for the sale of its interest in the East Shabwa Development Area for \$465 million, subject to certain financial adjustments. The disposal is part of SOCO's strategy of realising value at the appropriate stage of an asset's life-cycle and reinvesting the capital in other areas of the portfolio to build shareholder value.

While the final outcome of the 2007 drilling programme in Vietnam has yet to be concluded, as we continue to drill the high profile Te Giac Den side track well (TGD-1XST1), it is fair to say that our early recognition of the opportunities available in Vietnam has already resulted in this becoming the prized asset in SOCO's

portfolio. Our first field discovery on Block 9-2 offshore Vietnam, the Ca Ngu Vang (CNV) field, is scheduled to come on stream late in the second quarter or early in the third quarter of this year. Despite delays attributable to the unitisation implications of our second field discovery, the Te Giac Trang (TGT) field on Block 16-1 offshore Vietnam, we fully expect an official declaration of commerciality before the end of the first half of 2008.

With the first well set to spud during the second half of 2008, the Company's Africa portfolio moves closer to the value building phase. Our core area in the high potential Congo Basin grew during 2007 with the addition of an interest in the Cabinda North Block, onshore Angola. In early 2008, the portfolio was expanded eastward to include Block 5 in the Albertine Graben of the Democratic Republic of Congo (Kinshasa).

Numbers wise, 2007 may at first glance appear to be unexciting as much of the year's achievements were benchmarks towards the significant activities set to continue into 2008. However, when reviewed in hindsight 2007 could prove to have been one of the more transformational years since the Company's inception. In the matter of a few months time, we expect to report results of the high profile TGD well, finalise the sale of SOCO Yemen, achieve first oil in both Vietnam and Thailand and initiate drilling in West Africa.

FINANCIAL AND OPERATING RESULTS

After tax profit reached a record high for the second consecutive year rising from \$29.1 million in 2006 to \$32.3 million in 2007. The Company's entire production is attributable to its interest in Block 10 in Yemen. Profit increased despite planned production curtailment during the year to accommodate an expansion of the East Shabwa Development Area's production and injection capacity, leading to production net to the Company's working interest decreasing from 6,766 barrels of oil per day (BOPD) in 2006 to 6,316 BOPD in 2007.

With almost continuous drilling in Vietnam and Yemen, and with the facilities expansion in Yemen, the Group's capital expenditures again rose year on year equalling \$178.6 million in 2007 versus \$114.3 million the previous year. The Company continued to fund its commitments via operating cash flow of \$71.9 million and with the remainder of proceeds from the convertible bonds issued in 2006 leaving a cash balance of \$68.3 million at year end 2007, as compared with \$187.8 million at year end 2006.

The proceeds from the disposal of the Group's Yemen assets, if the transaction is finalised, will strengthen the Company's balance sheet and provide funding for existing exploration and development opportunities and other opportunities that may arise. In addition, the Group has raised short term debt finance to provide the



Ed Story
Chief Executive Officer

Rui de Sousa
Chairman

necessary financial flexibility in the short to intermediate term.

The Directors recommend no dividend as the reinvestment of cash will be utilised to fund our ongoing exploration and development activities.

2007 OPERATIONS REVIEW

Vietnam

Exploration

The most significant concrete news originating in 2007 from Vietnam on the exploration front was the grant by the government of Vietnam of the extension of the exploration licence on Block 16-1. In January 2008, the Company received formal notification that the Prime Minister of The Socialist Republic of Vietnam had granted the extension of the deadline of the Hoang Long Joint Operating Company's obligation of surrendering the remainder of the Block 16-1 Contract Area until 6 June 2008.

The exploration phase of work on Block 9-2 offshore Vietnam was concluded in 2007 when the Ca Ong Doi 2X (COD-2X) well was drilled during the first quarter on the COD structure to evaluate the possibility that the clastics play on Block 16-1 extended into this Block. This well was plugged and abandoned when the Lower Miocene sands were determined to not be charged with hydrocarbons. With the exploration licence expiring on Block 9-2 in December of 2007, the Company

relinquished the remainder of the Block excluding the CNV field development area.

On Block 16-1, exploration wells drilled during 2007 targeting the Miocene, the interval which resulted in the significant TGT discovery in 2005, proved disappointing with a series of wells being plugged and abandoned including the Te Giac Cam 1X well on Prospect "S", the Te Giac Hong 1X exploration well to evaluate the "L" North prospect and the Te Giac Lam 1X well, which tested a Miocene four-way closure on one of the Basement ridges of the "O" prospect. The first of these exploration wells was spudded in March utilising the Trident 9 rig, which was subsequently released having completed its contract. The Adriatic XI drilling rig began its two year contract in July when it was mobilised to drill the second and third Miocene targeted wells before moving on to drill an Oligocene well, prior to re-entering the TGD well to drill the TGD-1XST1.

Whilst we had some encouragement in each of these wells, from the possibility of finding hydrocarbons in deeper pay zones to indications of a new play type, the primary targets generally proved non-commercial due to lack of reservoir quality. Likewise, a well drilled on the "AA" prospect, the Voi Nau 1X well, drilled to evaluate a four way closure in the Oligocene interval, which had proved productive in the Voi Trang discovery in 2002, was plugged and abandoned after encountering poorly developed sands with insufficient porosity to warrant testing.

The newly commissioned PVD-1 rig began its two year contract by spudding the TGD-1X well on Prospect "E" in April 2007 to test the deep potential in the basin. The well encountered hydrocarbons in two Oligocene clastic sequences, which were separated by a volcanic layer. Well logs over the upper sequence indicated approximately 30 metres of net pay. After drilling through the volcanics, the well encountered a lower clastic sequence with oil and gas shows. However, the mud weight required to control the pressure and gas indicated downhole pressures at the upper limit of the safe operating capability of the drilling rig. Consequently, drilling had to be halted after only 22 metres of the sequence had been penetrated. High pressure and temperature (HPHT) also meant that the section could not be logged. In addition to having to deal with the operational challenges caused by intersecting two over pressured zones in this HPHT prospect, the rig experienced a series of control system failures, which potentially could have compromised safe continuation of drilling operations. Thus after drilling for approximately 100 days, with inconclusive results, the TGD-1X well was temporarily suspended at 4,625 metres.

The Adriatic XI rig was moved on location to drill the TGD-1XST1 well in November 2007 and the drilling remains in progress at the time of this writing. It was impossible to envisage that when we spudded the TGD well on the "E"

Chairman's and Chief Executive's Statement

continued

“The disposal of SOCO Yemen Pty Limited will enable SOCO to generate long term value by reinvesting the proceeds in the development of its core assets, particularly in Vietnam.”

Rui de Sousa
Chairman



prospect on Block 16-1 offshore Vietnam in April of last year, that we would still be anticipating the outcome almost a year later. But, a combination of operating problems with the two rigs involved and challenging downhole environments have put us precisely in this situation. We eagerly anticipate the outcome.

Development

Development drilling commenced in the CNV field on Block 9-2 when the Petrovietnam Drilling and Well Services drilling rig, the PVD-1 which had been commissioned during the year, continued its two year contract by spudding the CNV-1P well in September. The well flowed at approximately 10,000 barrels of liquid per day (30% water cut) on an abbreviated test as is planned for all of the development wells to ensure that timely progress is made toward the target first oil date at or near the end of the second quarter of 2008. The second development well in the planned three producer, one injector development drilling programme spudded early in February 2008. Meanwhile, major facilities and equipment orders proceed apace to meet the planned onstream date.

Progress toward development on the TGT field on Block 16-1 was less seamless than that with CNV. Our expectations that a declaration of commerciality by the government of Vietnam could be achieved last year fell short primarily due to a small discovery on an adjoining block, which

suggested an extension of the TGT field and brought unitisation implications. Although it has subsequently been borne out that there is a small extension of the TGT field on a neighbouring block, many of the equity implications have been agreed with the other consortium and an initial reserve allocation report, the first step for agreeing commerciality, has been filed with Petrovietnam. Barring any further complications, we fully expect the declaration of commerciality for the TGT field to be granted before the end of the first half of 2008.

Yemen

Drilling activity with three rigs continued throughout 2007 as the East Shabwa Block 10 Consortium continued the programme of appraisal and development of the Kharir Basement. In January 2008, production from the East Shabwa concession reached the 100 million barrel milestone. Daily production was back to peak levels in early 2008, only limited by the capacity of the processing equipment. Water injection rates reached approximately 50,000 barrels of water per day (BWPD) into the Basement, with individual injectors accepting in excess of the original 2,500 BWPD design limit. We expect that this will be a positive development for the field to meet increased production targets once the facility upgrades are available.

In February 2008, the Company announced it had entered into a conditional sale and purchase agreement for the

sale of its interest in the East Shabwa Development Area in Yemen. Details of the transaction can be found in The Financial Review section of this report.

Republic of Congo (Brazzaville)

Initial processing and Pre Stack Depth Migration of the seismic data have been completed. Interpretation continues albeit slightly behind schedule. SOCO Exploration and Production Congo SA (SOCO EPC) expects to tender for a multi-well drilling programme likely to commence in the second half of 2008.

In March 2008, SOCO EPC assigned a portion of its interests to Petrovietnam Exploration Production Corporation Ltd. (PVEP). The assignment of interests is subject to approval of the appropriate regulatory authorities of the Government of the Republic of Congo (Brazzaville), waivers of any third party preferential rights and certain obligations of PVEP.

Democratic Republic of Congo (Kinshasa)

In August 2007, the Group received Cabinet approval of its Production Sharing Contract (PSC) on the 800 square kilometre Nganzi Block, onshore the Democratic Republic of Congo (Kinshasa) (DRC). Final approval was received in March 2008.

A geochemical survey was conducted in August to evaluate the potential of

several leads previously identified by an aeromagnetic and gravity survey conducted by the Company. The results will be used to help lay out a 2D seismic grid. Seismic acquisition is scheduled to begin later this year.

In March 2008, the Group entered into a new PSC with the Government of the DRC, Dominion Petroleum Limited and Cohydro, to acquire exclusive rights for hydrocarbon exploration on Block 5, located in the southern Albertine Graben in eastern DRC adjacent to the DRC/Uganda border. The Group holds a 38.25% participating interest in the PSC, which is subject to and becomes effective upon ratification by the President of the DRC.

Angola

The Company was notified in August 2007 that the Executive Decree outlining SOCO Cabinda Limited's 17% participating interest in the Production Sharing Agreement for the Cabinda Onshore North Block became effective in July. An airborne gravity and magnetic survey was conducted over the Block in the second quarter and processing completed in the third quarter. Interpretation of the survey is underway. A contract for the acquisition of a 1,200 kilometre 2D seismic survey, based on the results of the gravity and magnetic survey, was awarded to Grant Geophysical, but was suspended and subsequently cancelled following a security incident in a remote area of the Block.



building shareholder value

Chairman's and Chief Executive's Statement continued



“With near term production from the CNV field in Vietnam and the Bualuang field in Thailand, medium term development and exploration upside in Vietnam and long term exploration potential in West Africa, we are very optimistic about SOCO's future growth prospects.”

Ed Story

President and Chief Executive

Thailand

The farm-in partner on the Bualuang field continues to move forward with the development. They have installed the production jacket and a platform drilling rig has completed the drilling of two wells during February 2008. A floating production, storage and offloading facility is also scheduled to arrive in the field and be ready for production operations in the first half of 2008. The drilling plans provide for simultaneous drilling and production operations. The first wells will be batch drilled and then completed. First production is expected to be in the first half of 2008.

CORPORATE

Disposal of Yemen interests

In line with the Company's track record of realising value at the appropriate stage of an asset's life-cycle and reinvesting the capital to build significant shareholder value, the Company entered into a conditional sale and purchase agreement in February 2008 for the sale of its interest in the East Shabwa Development Area to Sinochem Petroleum Limited for \$465 million, subject to certain financial adjustments.

The proceeds from the disposal will strengthen the Company's balance sheet and provide funding for its existing exploration and development projects and other opportunities that may arise. The Board believes that the disposal is in the best long term interests of the Company

and represents an excellent opportunity to realise value from a mature producing non-core asset.

Details of the disposal can be found in The Financial Review section of this report.

OUTLOOK

The year ahead is shaping up to be important to the Company in multiple ways. First, the government of Vietnam's extension of the Block 16-1 exploration licence will allow us to put a final stamp on the way our assets in Vietnam progress, either with additional opportunity to add to the existing discoveries or progressing the already significant field discoveries towards first oil. Declaration of commerciality on TGT is a priority for us and now looks to have advanced beyond the impediments imposed by having the additional complications of a unitisation. In any case, we expect the Vietnam portfolio to be finalised this year.

If the sale of the Yemen assets proceeds to completion, it will mark the end of our association in that country, an association that has been very value accretive to the Company. Perhaps this project, as much as any, provides the consummate example of how the Company's business model can be executed to recognise and capture potential to create significant shareholder value.

Finally, we begin the first phase of creating value through the drill bit in West Africa,

as we expect to spud the first of multiple wells on Marine XI during the second half of 2008. As has been demonstrated in Cabinda, there can be substantial risk associated with some of the areas in which we have expanded our exploration operations. To the extent possible, we think we have taken these risks into consideration and have concluded that it is in the best interests of our shareholders to continue to expand our exploration footprint where we see considerable opportunity.

Despite the recent uncertainty in world economic markets and its spill over into our sector, we believe that the dynamics for the industry remain very positive in the near to intermediate term. We look forward to leading the Company into its next important stage of value creation.

Rui de Sousa
Chairman

Ed Story
President and
Chief Executive



strong growth



REVIEW OF OPERATIONS



Antony Maris
Vice President – Operations
and Production



Whereas previous years were benchmarked by measurable achievements in our exploration drilling programme; in steady progress in production growth and in expansion of our exploration portfolio, the primary achievements in 2007 have benchmarked progress toward goals that will hopefully be realised in the future. Qualitatively, the verdict is still out on our drilling programmes as the high profile Te Giac Den well is still drilling in Vietnam; the big boost in production in Yemen is set to begin after a year of planned curtailment and the exploration drilling phase in our West Africa portfolio is expected to commence later in 2008.



VIETNAM

SOCO holds its interests in the Cuu Long Basin through its 80% owned subsidiary SOCO Vietnam Ltd (SOCO Vietnam) and through its 100% ownership of OPECO, Inc. SOCO Vietnam holds a 25% working interest in Block 9-2, which is operated by the Hoan Vu Joint Operating Company and holds a 28.5% working interest in Block 16-1, which is operated by the Hoang Long Joint Operating Company (HLJOC). OPECO, Inc. holds a 2% working interest in Block 16-1.

The Cuu Long Basin is a shallow water, near shore, oil rich basin defined by several high profile producing oil fields, the largest of which has been the Bach Ho field, which lies adjacent to both Block 9-2 and Block 16-1. Bach Ho has produced more than one billion barrels of oil to date.

Block 16-1

Exploration drilling on Block 16-1 got off to a slow start in 2007 as the Trident 9 drilling rig experienced lengthy weather delays in moving off the site of the last exploration well drilled under the Block 9-2 exploration licence. Also, the Petrovietnam Drilling and Well Services (PDWS) newly commissioned drilling rig, the PVD-1, did not begin its two year contract until early April when it spudded the Te Giac Den 1X (TGD-1X) well, primarily targeting the expected high pressure, high temperature Oligocene interval on Prospect "E". Almost immediately, the PVD-1 rig began experiencing a number of operating issues, which adversely impacted drilling.

In March, the Trident 9 rig moved on location to drill the shallower Te Giac Cam 1X (TGC-1X) well on Prospect "S". The reservoir in the primary target, the Lower Bach Ho 5.2 (LBH 5.2) interval, was not developed, but the well was deepened to further evaluate oil shows witnessed in the Oligocene section. While drilling in the Oligocene, the well encountered unexpected high pressure, with associated oil and gas shows, and had to be cased using a seven inch liner prior to drilling to total depth. Examination of the well and logging data indicated that, despite the hydrocarbon influx, it was not sufficiently encouraging for the well to be tested. The high pressures did, however, support the concept of porosity preservation at depth due to early migration of hydrocarbons; the basis for the deep play on the Block. Ultimately the TGC-1X well was plugged and abandoned after reaching a total depth of 4,196 metres. With this well the Trident 9 rig completed its contract and was released.

Meanwhile, the PVD-1 rig drilling the TGD-1X well encountered the first high pressure zone, higher than prognosed, and had to plug back to sidetrack and case the hole. After setting casing, the rig was taken off line due to a series of control system failures, which potentially could have compromised safe continuation of drilling operations. After being off-line for approximately three weeks, the control systems were corrected and the rig resumed drilling until penetrating a second high pressure interval, which was beyond the safe operating capacity of the drilling rig.

Review of Operations

continued



Gordon Graham
Group Exploration Manager

The TGD-1X well had encountered hydrocarbons in two Oligocene clastic sequences, which were separated by a volcanic layer. Well logs over the upper sequence indicated approximately 30 metres of net pay. After drilling through a layer of volcanics, the well encountered a lower clastic sequence with oil and gas shows. However, the mud weight required to control the pressure and gas indicated downhole pressures at the upper limit of the safe operating capability of the drilling rig. Consequently, drilling had to be halted after only 22 metres of the sequence had been penetrated. High pressure and temperature also meant that the section could not be logged. In July, the well was temporarily suspended at 4,625 metres and the PVD-1 rig was released to commence development drilling operations, as originally planned, on the Ca Ngu Vang (CNV) field on Block 9-2.

While the PVD-1 rig was battling the highly complex TGD-1X well, the Adriatic XI drilling rig began its two year contract in July when it was mobilised to drill the Te Giac Hong 1X (TGH-1X) exploration well to evaluate the "L" North prospect. The well was drilled to evaluate the Miocene and Upper Oligocene sections that are productive in the Te Giac Trang (TGT) discoveries. The well was plugged and abandoned after reaching a total depth of 3,685 metres. The well evaluated the LBH 5.2 and the Oligocene "C" formations. The LBH 5.2 sands were poorly developed and had

no oil shows. There were sands with oil shows in the Oligocene "C", however, log evaluation indicated that the sands had poor permeability and they were not tested.

In August, the Adriatic XI rig was moved to drill the Te Giac Lam 1X (TGL-1X) well on the "O" prospect to test a Miocene four-way closure on one of the Basement ridges that appeared on seismic to be analogous to the geological setting of the TGT field discovery to the east. The well was subsequently deepened to intersect the Oligocene sands. Even though the well was drilled overbalanced, mud log data indicated 70 metres of sand with good oil shows in the Oligocene section. A test was conducted over this interval, however, the sands at this location were found to be tight and further testing was discontinued. In September, the well was plugged and abandoned after reaching a total depth of 3,697 metres.

The rig next moved to drill the Voi Nau 1X (VN-1X) exploration well on the "AA" prospect located on trend with the oilfield discovered in 2002 by the Voi Trang 1X well. The VN-1X was drilled on a four way closure to evaluate the Oligocene section that was productive in Voi Trang. While the well encountered oil shows, the sands were poorly developed and had insufficient porosity to warrant testing. In October, the well was plugged and abandoned after reaching a total depth of 3,130 metres. The Adriatic XI rig was then fitted with high

pressure well control equipment, including a 15,000 psi blow out preventer, before moving back to Prospect "E" to re-enter the TGD-1X borehole and drill a sidetrack, the TGD-1XST1. The well kicked off at approximately 650 metres and was cased three times prior to reaching the top of the high pressure and high temperature section, which is the preliminary target just above Basement. This well has taken longer to drill than expected, partially due to equipment problems on the rig, but also due to the complexities of drilling the high pressure sections and the need to put behind casing the different sands to prevent downhole pressure problems.

During the year, exploration drilling on Block 15-2/01, the adjacent block to the north of Block 16-1, resulted in a discovery which proved to be an extension of the northern fault block of the TGT field. As a result, additional time was required to understand the various implications of this extension before progressing the application for a declaration of commerciality on the TGT field. A technical review of the wells drilled in the northern fault block of the TGT field in Block 16-1 and those of the extension drilled on Block 15-2/01 concluded that in excess of 95% of the accumulation in the northern fault block was located in SOCO's Block 16-1. This review resulted in a delay in providing Petrovietnam with the necessary information that would allow it to approve a declaration of commerciality.



In the first quarter of 2008, the reserve assessment report, the precursor of an official request to approve the declaration of commerciality, was submitted to Petrovietnam. The outline development plan is expected to be submitted early in the second quarter of 2008. Upon approval of the outline development plan, work will commence on the detailed development plan. The target is to seek formal approval for the commitment to the development of the TGT field in the fourth quarter of 2008. Although more work is required, approval of the declaration of commerciality is expected around mid-year.

In January 2008, the Company received formal notification that the Prime Minister of The Socialist Republic of Vietnam had granted the extension of the deadline of the HLJOC's obligation of surrendering the remainder of the Block 16-1 Contract Area until 6 June 2008. This extension was granted to allow the completion of the previously agreed active work programme. Application for appraisal areas on Block 16-1 will be made before the expiry of the extended exploration licence.

Block 9-2

The exploration phase of work on Block 9-2 was concluded in 2007 when the Ca Ong Doi 2X (COD-2X) well was drilled during the first quarter on the COD structure to evaluate the possibility that the clastics play on Block 16-1 extended into this Block. This well encountered Lower Miocene

sands, however they were not charged with hydrocarbons possibly indicating that the structure was developed after migration.

Sands were also encountered in both the Oligocene "C" and "E" sequences. Although the Oligocene "C" had good shows, the sands were thinner than expected and, following evaluation of the electric logs, it was decided not to flow test this horizon. In the Oligocene "E", the shows encountered were of residual oil indicating that the reservoir had been breached. This well was the final exploration well to be drilled on Block 9-2 and the exploration licence expired at the end of 2007.

The first half of 2007 was primarily focused on the letting of all major contracts associated with the Pilot Development Plan on the CNV field, which was officially approved in December 2006 by Petrovietnam. Subsequent to this approval, Petrovietnam became a full paying participant in its 50% interest in Block 9-2.

During the year, work began on the fabrication of both the unmanned offshore platform and the pipeline that will transport gas and liquids to Bach Ho for processing and transportation to market. The PVD-1 drilling rig moved on location to begin the development drilling programme on the CNV field on 21 August, after experiencing some weather delays. The first development well on CNV, the CNV-1P, was a complicated long reach well drilled to

5,447 metres measured depth. During the drilling, it encountered an anomalous high pressure zone, which resulted in a plugback and redrill, finally reaching total depth on 31 December. In the subsequent abbreviated test, the well tested at approximately 10,000 barrels of liquid per day with a 30% water cut. The well would be expected to clean up and flow clean oil, but the plan is to perform preliminary testing only of the development wells in order to keep the timetable for first oil near the end of the second quarter or early third quarter of 2008.

The second development well on CNV, the CNV-2P, commenced on 7 February 2008 and was drilling as this report went to press. In total, three development wells and a single injector well are expected to be drilled in the field development.

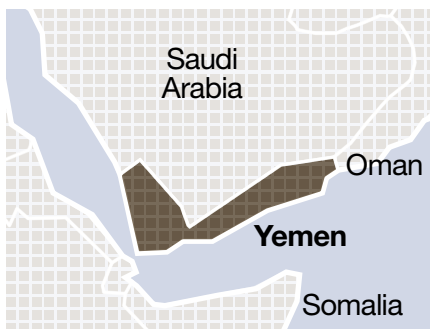
CNV is being developed as a satellite platform to the Bach Ho field. Agreement has been reached by the parties as to the utilisation charges for the Bach Ho facilities. Certain aspects of the development programme, particularly the gas sales agreement for the associated gas produced from the CNV field, have not yet been finalised. However, conclusion of these remaining agreements is not seen to have an impact on the scheduled first oil date.

Review of Operations

continued



George Hepler
Group Technical /
Engineering Manager



YEMEN

Drilling activity with three rigs continued throughout 2007 as the East Shabwa Block 10 Consortium continued the programme of appraisal and development of the Kharir Basement. The consortium comprises Comeco Petroleum, Inc. (28.57% interest), in which SOCO holds a 58.75% interest, TOTAL Yemen, S.A. (28.57% interest and operator), Occidental Yemen Ltd. (28.57% interest) and Kuwait Foreign Petroleum Exploration Co. (14.29% interest).

Appraisal work was focused on testing the areal extents of the Basement interval in the Kharir field. Several Basement producers, aimed at appraising and developing the southern to south western flank area of the field, have been drilled. The results to date of these wells have been very encouraging, indicating greater fracturing and hence greater performance and more oil in-place in this area of the field.

Further development has centred on drilling wells into the overlying Biyad horizon to provide water for the Basement injection schemes and drilling Basement water injectors. Production from the field was purposely limited below the average level experienced in 2006. This limitation was a direct result of delays in installing water injection equipment associated with the reservoir pressure maintenance project and issues with water filtration equipment.

In the first two months of 2008, both water injection and gas reinjection into Basement was at capacity with water injection rates of approximately 50,000 barrels of water per day. Capacity is expected to increase during the year. Recent pressure surveys have confirmed pressure maintenance in both the north and western sides of the Kharir field. No significant water breakthroughs have been noted to date. Several Basement wells have been temporarily shut-in to allow for re-pressuring of the reservoir in order to shrink the gas cap in the western part of the field.

In addition, there is significant activity ongoing to increase the production handling capacity of the processing equipment. Alongside the addition of new process equipment, the existing equipment is undergoing debottlenecking to maximise throughput.

In February 2008, the Company entered into a conditional sale and purchase agreement with Sinochem, a Chinese oil and gas company, wherein Sinochem would acquire SOCO Yemen Pty Limited, the wholly owned SOCO subsidiary which indirectly holds its interests in Block 10 in Yemen. Details of this transaction can be found in The Financial Review section of this report.

KEY PERFORMANCE INDICATORS

	2007	2006	2005
Production (barrels of oil per day)	6,316	6,766	5,684
Total proven and probable reserve additions (millions of barrels of oil equivalent)	2.6	41.8	100.6
Proven and probable reserves (millions of barrels of oil equivalent)	160.9	160.6	133.2

See the Five Year Summary on page 71 for definitions



THAILAND

SOCO's 99.93% owned Thailand subsidiary, SOCO Exploration (Thailand) Co. Ltd. (SOCO Thai), will hold a 40% interest in the Bualuang oilfield located offshore in the Gulf of Thailand after the full earn-in terms of a farm-out are fulfilled.

The Farmee concluded a high resolution 100 kilometre 2D seismic programme during the second quarter of 2007. Construction of a 12 slot wellhead platform commenced in 2007 and was completed early in 2008. A platform drilling rig drilled two wells during February 2008. The initial development well, the Bualuang 05, was drilled and logged to a true vertical depth of 1,221 metres sub-sea. Preliminary evaluation of the well logs confirmed the well encountered oil pay over a 25 metre gross interval (approximately 21 metres of net pay). The well encountered porosity averaging 29% and preliminary core analysis indicated permeability averaged 809 millidarcies over the pay interval.

The second well, the Bualuang 01, was drilled to a true vertical depth of 1,270 metres and logged. Preliminary evaluation of the well logs indicated that the well encountered oil pay over a 23 metre gross interval (approximately 20 metres of net pay). This well was not cored, but the logs over the pay zone indicated an average porosity of 27%. A floating production,

storage and offloading vessel has been commissioned to arrive on site during the first half for a simultaneous drilling and production programme.

The Farmee has already commenced construction and other commitments designated as Phase II activities thus indicating its intent to earn its full 60% working interest by installing a platform, drilling up to eight additional wells and taking the project to first oil. The Farmee funds 100% of costs during Phase I, but SOCO Thai would fund 8% of the Phase II costs. After the end of the Phase II period, the Farmee would be designated the operator of the project. Interests earned and operatorship are subject to approval of the appropriate regulatory authorities of the Government of Thailand.

Under the terms of the farm-out, at the end of the Phase II period, the Farmee will engage an independent reservoir engineer to perform an analysis of the proven reserves contained in the Bualuang field. The Farmee will pay SOCO Thai an amount equal to one dollar for each barrel of proven reserves over 10.4 million barrels.

Review of Operations

continued



REPUBLIC OF CONGO (BRAZZAVILLE)

SOCO Exploration and Production Congo SA (SOCO EPC), which is held through the Company's 85% owned subsidiary SOCO Congo Limited, holds an interest in, and is the designated operator of, the Marine XI Block offshore the Republic of Congo (Brazzaville).

A 1,200 square kilometre 3D seismic acquisition programme was completed over the shallow water Block located in the Lower Congo Basin, in the fourth quarter of 2006. Initial processing of the data has been completed and Pre Stack Depth Migration (PSDM) of the data is now underway in order to better image the pre-salt structure.

Due to additional iterations of the PSDM, processing is slightly behind schedule, however SOCO EPC expects to tender around mid-year for a multi-well drilling programme which is likely to commence in the second half of 2008.

In March 2008, SOCO EPC entered into a farm-out agreement wherein it agreed to farm-out 8.5% of its interest in the Marine XI Block to Petrovietnam Exploration Production Corporation Ltd. SOCO EPC will remain as the operator.

with a 29% working interest in the Block. The assignment of interests is subject to approval of the appropriate regulatory authorities of the Government of the Republic of Congo (Brazzaville), waivers of any third party preferential rights and certain obligations of Petrovietnam.

DEMOCRATIC REPUBLIC OF CONGO (KINSHASA)

SOCO DRC Limited (SOCO DRC), the Company's 85% owned subsidiary holds 99% of SOCO Exploration and Production DRC Sprl (SOCO E&P DRC), the designated operator with an 85% working interest in the 800 square kilometre Nganzi Block, onshore the Democratic Republic of Congo (Kinshasa). Cohydro, the state owned oil company, holds the remaining 15% interest.

SOCO E&P DRC received Cabinet approval of its Production Sharing Contract (PSC) in August 2007, and final approval through a Presidential Decree was received in March 2008. A geochemical survey was conducted in August to evaluate the potential of several leads previously identified by an aeromagnetic and gravity survey conducted by the Company. The results will be used to help lay out a 2D seismic grid.

Serge Lescaut
Manager
Africa Region



Seismic acquisition is scheduled to begin later in the first half of 2008.

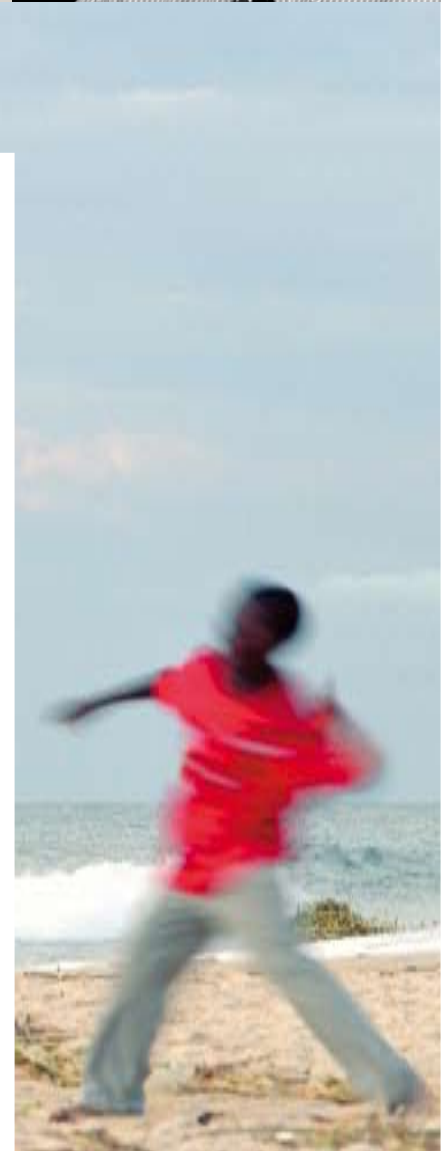
In March 2008, SOCO E&P DRC entered into a new PSC with the Government of the DRC, Dominion Petroleum Limited (Dominion) and Cohydro, to acquire exclusive rights for hydrocarbon exploration on Block 5, located in the southern Albertine Graben in eastern DRC adjacent to the DRC/Uganda border. The Block has an area of 7,105 square kilometres, including part of Lake Edward. SOCO E&P DRC holds a 38.25% participating interest in the PSC with Dominion, as operator, holding a 46.75% interest and Cohydro holding the remaining 15% interest. The first phase of the PSC has a five year span, during which SOCO and Dominion will carry out geological and geophysical work, acquire at least 300km of seismic data and drill two exploration wells.

ANGOLA

The Company was notified in August 2007 that the Executive Decree outlining SOCO Cabinda Limited's (SOCO Cabinda) 17% participating interest in the Production Sharing Agreement (PSA) for the Cabinda Onshore North Block became effective in July. SOCO holds 80% of the interest in SOCO Cabinda. Sonangol P&P, the

Angolan state owned oil company, holds a 51% interest in the PSA and is operator, with Teikoku Oil Co. Limited and Angola Consulting Resources holding the remaining interests of 17% and 15%, respectively.

An airborne gravity and magnetic survey was conducted over the Block in June and processing and interpretation were conducted during the third quarter. The survey provided the basis for laying out a 1,200 km 2D seismic survey. A contract for seismic acquisition was awarded to Grant Geophysical and acquisition began in the fourth quarter of 2007. However, in late December, there was a fatality as the contractor's seismic crew was attacked in a remote area of the Block. Consequently the contractor declared force majeure. The seismic contract was later cancelled by the operator, Sonangol.





Roger Cagle
Executive Vice President,
Deputy Chief Executive and
Chief Financial Officer

FINANCIAL REVIEW

The Group's after tax profits for the year increased to \$32.3 million from \$29.1 million in 2006 despite a 7% reduction in production net to the Group's working interest, which dropped from 6,766 barrels of oil per day (BOPD) in 2006 to 6,316 BOPD in 2007 due to planned production curtailments. Basic and diluted earnings per share increased proportionately to 45.8 cents in 2007 from 41.3 cents in 2006 and to 40.9 cents in 2007 from 36.9 cents in 2006, respectively.

INCOME STATEMENT

Operating results

Although net production decreased in 2007 due to planned curtailments to accommodate capacity increases, the Group's oil and gas revenues increased by 29% to \$98.4 million in 2007 from \$76.5 million in 2006. Of this increase \$11.9 million was due to higher entitlement volumes owing to increased cost recovery arising from the capital expenditure associated with developing the Basement reserves in Yemen. The increase in the average realised oil price per barrel, which rose from \$62.73 in 2006 to \$70.69 for the reporting period, increased revenue by a further \$5.4 million. Finally, adjustments relating to lifting imbalances arising in prior periods caused a variance of \$4.6 million.

Cost of sales in 2007 were \$32.5 million against \$21.2 million in 2006 with the \$4.6 million variance on lifting imbalances

increasing cost of sales in 2007 compared to 2006. Ignoring lifting imbalances the underlying increase in cost of sales has arisen due to higher per barrel operating costs, higher depreciation, depletion and decommissioning costs (DD&A) and settlement of certain items arising from the Yemen government audit of recoverable costs.

On a per barrel basis, excluding lifting imbalances, inventory effects and the one-off charge relating to the Yemen government audit, operating costs attributable to the Group's sole producing asset increased from \$5.91 per barrel in 2006 to \$6.93 per barrel in 2007. This was mainly due to higher production and manpower costs along with higher diesel usage and cost.

DD&A, included in cost of sales, increased by \$3.0 million from \$9.3 million in 2006 to \$12.3 million in 2007. On a per barrel basis DD&A increased to \$5.32 per barrel in 2007 from \$3.70 per barrel in 2006 due to higher future development and decommissioning costs associated with extracting additional Basement reserves.

Administrative costs for the year decreased to \$8.1 million in 2007 from \$8.8 million in 2006. Higher costs in 2006 were primarily associated with higher payroll obligations, including higher performance based bonuses.

Other operating expenses, which comprise pre-licence exploration expenses, decreased by \$0.2 million in the reporting year.

The aforementioned effects led to a 25% increase in operating profit. Operating profit was \$57.8 million in the year ending 31 December 2007 rising from \$46.3 million in 2006.

Non-operating results

As a result of its continuing capital programme, discussed below, the Group had a significantly lower cash and cash equivalents balance throughout the year. This was the primary reason investment income decreased from \$9.3 million in 2006 to \$6.3 million in the current reporting period.

The decrease in other gains and losses from \$0.7 million in 2006 to \$0.2 million in 2007 was primarily due to a lower gain in 2007 on the change in fair value of the financial asset associated with the subsequent payment amount tied to future oil production from the Group's divested Mongolia interest.

Finance costs decreased from \$8.1 million in 2006 to \$7.3 million for the reporting year as a higher proportion of interest has been capitalised, in accordance with the Group's accounting policy, in 2007, offset by the interest expense on the liability component

KEY PERFORMANCE INDICATORS

	2007	2006	2005
Realised oil price per barrel (\$)	70.69	62.73	50.28
Operating cost per barrel (\$)	6.93	5.91	4.55
DD&A per barrel (\$)	5.32	3.70	3.40
Basic earnings per share (cents)	45.8	41.3	29.3
Diluted earnings per share (cents)	40.9	36.9	25.8
Total shareholder return (%)	59.2	75.8	102.6

See the Five Year Summary on page 71 for definitions

of the convertible bonds issued in May 2006 being charged for a full year in 2007.

The tax charge increased from \$19.1 million in 2006 to \$24.8 million in 2007 consistent with the increase in operating profit.

CASH

SOCO's cash and cash equivalents decreased from the year end 2006 amount of \$187.8 million to \$68.3 million at 31 December 2007 mainly due to the continuing investment in capital projects offset by the operating contribution from the Group's Yemen interest.

CAPITAL EXPENDITURE

Capital expenditure of \$178.6 million in 2007 compared to \$114.3 million for 2006 reflects the Group's continued drilling activity in Vietnam along with development costs associated with the expected commencement of production from the Ca Ngu Vang field in 2008, facility upgrades in Yemen and geological and geophysical activities in West Africa.

DIVIDEND

Due to the continuing need to finance current and future exploration, appraisal and development projects, the Board of Directors are not recommending the payment of a dividend.

KEY PERFORMANCE INDICATORS

SOCO uses a number of financial and operating Key Performance Indicators (KPIs) against which it monitors its performance. Reference is made to KPIs in the appropriate section of this Annual Report and in the Five Year Summary on page 71 where the KPIs are defined.

OWN SHARES

The SOCO Employee Benefit Trust (the Trust) was established in 2001 to administer a Long Term Incentive Plan (LTIP). At the end of 2007, the Trust held 2,165,780 (2006 – 2,273,300) of the Company's ordinary shares (Shares), representing 2.97% (2006 – 3.12%) of the issued share capital after using 107,520 Shares for the exercise of certain share options under the LTIP. Associated with the convertible bonds issue in May 2006, the Trust entered into a Global Master Securities Lending Agreement (GMSLA) with Merrill Lynch International. As at 31 December 2007, 1,000,000 (2006 – 1,375,000) Shares were lent under the GMSLA.

As at 31 December 2007, the Company held 27,500 (2006 – 27,500) treasury Shares.

CORPORATE DEVELOPMENTS

Appointment of Corporate Broker

In January 2008, SOCO appointed Citigroup Global Markets Limited to be its

joint Corporate Broker along with Merrill Lynch International.

Disposal of Yemen interest

In February 2008, the Company entered into a conditional sale and purchase agreement (Agreement) for the sale of its wholly owned subsidiary SOCO Yemen Pty Limited (SOCO Yemen), the entity that holds the Company's interest in the East Shabwa Development Area (ESDA) in Yemen, to Sinochem Petroleum Limited (Sinochem) for \$465 million, subject to certain financial adjustments (the Disposal). The consideration for the Disposal is payable in cash on completion.

SOCO Yemen holds an indirect interest of 16.785% in the ESDA of Yemen through its 58.75% equity interest in Comeco Petroleum, Inc. (Comeco). Comeco, in turn, has a 28.57% interest in the ESDA. The ESDA joint venture is operated by Total E&P Yemen under a production sharing agreement with the government of Yemen.

Completion of the Disposal is subject to, amongst other things, various regulatory approvals (Regulatory Approvals) including the approval of the National Development and Reform Commission of the People's Republic of China. Additionally, due to the size of the transaction, the Disposal is conditional upon the approval of SOCO shareholders at an extraordinary general

Financial Review

continued

meeting (EGM) of the Company. Sinochem also has the right to terminate the Agreement on or prior to 28 March 2008 (the date on or by which SOCO expects to post its notice of EGM to its shareholders) in the event that Sinochem has not by such date received such consents and approvals (other than the Regulatory Approvals) as it requires in relation to the Disposal. In the event that Sinochem terminates the Agreement in accordance with that right, Sinochem has agreed that it will pay to SOCO a fee of \$3 million. The Disposal is expected to complete early in the second quarter of 2008.

Financing facility

In March 2008, the Company entered into an unsecured revolving term loan facility of \$50 million with BNP Paribas (the BNP Facility). The BNP Facility is available for 12 months for use in the Group's Vietnam developments and, as at the date of this report, no drawdown has been made. Accordingly, SOCO agreed to terminate the \$45 million reserve-based, revolving credit facility with the International Finance Corporation (the IFC Facility), the private sector arm of the World Bank, which the Company entered into in 2005. No drawdowns have been made against the IFC Facility.

RISK MANAGEMENT

Financial

SOCO's Board of Directors has designated the Chief Financial Officer as the executive responsible for the Company's risk management function. The Audit Committee provides oversight while ultimate approval authority remains with the full Board.

Generally, it is the Company's policy to conduct and manage its business in US dollars. Cash balances in Group subsidiaries are primarily held in US dollars, but smaller amounts may be held in GB pounds or local currencies to meet immediate operating or administrative expenses, or to comply with local currency regulations. The Group may take short term hedging positions to protect the value of any cash balances it holds in non-US dollar currencies.

The Group seeks to minimise the impact that debt financing has on its balance sheet by negotiating borrowings in matching currencies. The convertible bonds and the unutilised financing facility (see above) are denominated in US dollars.

Company cash balances are invested in short term, non-equity instruments or liquidity funds, not exceeding three months forward. Investments are generally confined to money market or fixed term deposits in

major financial institutions. For further details of the Group's financial risk management see Note 3 to the financial statements.

Operational

The Board of Directors does not believe that it is practical or prudent to obtain third-party insurance to cover all adverse circumstances it may encounter as a result of its oil and gas activities. However, the Board of Directors believes that SOCO's comprehensive property, casualty, liability and other policy cover conforms to industry best practice. As such, it provides substantial protection against typical industry operational risks. The Board believes it has struck an appropriate balance between exposure and coverage.

The Group does not maintain any fixed price, long term marketing contracts. Production is sold on "spot" or near term contracts, with prices fixed at the time of a transfer of custody or on the basis of a monthly average market price. Although oil prices may fluctuate widely, it is the Group's policy not to hedge crude oil sales unless hedging is required to mitigate financial risks associated with debt financing of its assets or to meet its commitments.

Accordingly, no price hedging mechanisms were in place during the year. Over time, during periods when the Group sees an opportunity to lock in attractive oil prices, it may engage in limited price hedging.



scaling new heights

Many of the Group's projects are in developing countries or countries with emerging free market systems. Generally, there is a greater risk of political, economic or social instability in these countries compared to nations with more established, developed economies.

Some of the Group's interests are in regions identified as potentially more susceptible to business interruptions due to the consequences of possible subversive activity. The Group assesses such risks before beginning operations in any particular area and has deemed these risks commercially acceptable.

SOCO does not currently carry political risk or associated business interruption coverage to mitigate such risks. However, it periodically assesses the cost and benefit of both and future circumstances may lead the Group to acquire such cover.

CORPORATE RESPONSIBILITY

SOCO's commitment to high standards of corporate responsibility (CR) is a core business priority. The Company supports the principle that whilst a Board has a primary responsibility to its shareholders, it should also take full account of other stakeholders' interests. SOCO believes that integrating CR and sustainable development good practice into its management culture will lower the Company's risk profile and promote new opportunities.

This report focuses on our CR management and explains how this supports SOCO's overall business performance.

SOCO's framework of policy documents and procedures is reflective of the relatively small scale and nature of the Company's activities and size of organisation. Currently, the Company directly participates in the operation of two offshore exploration and appraisal ventures, in Vietnam and the Republic of Congo (Brazzaville). In these cases, environmental and social impacts are relatively minor. Environmental impact assessments are nevertheless carried out and independent performance monitoring is standard practice. SOCO now also participates in onshore operations in the Democratic Republic of Congo (Kinshasa) and detailed procedures are being developed for this activity (see below).

Where SOCO participates as an operating interest holder or co-venturer in a project, we can directly influence operations and decision making. However, where SOCO holds a minority interest, as an investor or participant in a project, our influence is less direct. In both cases, our expectations for CR are clearly established, communicated and monitored. The Company has had a health, safety and environment (HSE) policy conforming to best practice since the first year of its existence, and has tailored HSE management systems for its Vietnam operations. New operations in West Africa will be undertaken using bespoke management systems specific to the types of environment and operations. The Company also deploys external advisors to ensure that best practice is achieved.

The Company's Code of Business Conduct and Ethics (the Code) was approved by the Board in 2004. Drawn up to meet the rising expectations in the wider community, including among many institutional shareholders, regarding social, environmental and ethical management, the Code documents and encapsulates the Company's culture and objectives and addresses the three pillars of sustainable development: economic, environmental and social performance. It is designed to be a dynamic policy that will evolve as the Company expands its activities. SOCO will

continue to communicate its CR activities using its annual report and corporate website to complementary effect.

SOCO's approach to CR begins with the recruitment of key managers and operations personnel. It is a priority consideration that every relevant employee understands the importance of CR management and has knowledge of what constitutes best practice, which can foster informed decision making and an instinctive appreciation of the relevant business implications associated with each operation. There is no restriction on the use of external advisors to ensure that corporate objectives are met. This approach of utilising external, rather than dedicated internal resources can be highly effective in a company of SOCO's size because corporate objectives are not compromised by management numbers and layers. Another core element of SOCO's business culture, which is a source of potential benefit, is the practice of maximising local employment and contract outsourcing.

Local involvement is our policy in all operations that we control. Such an approach has significantly benefited operations and has been a major factor in SOCO winning access to opportunities on the strength of the relationships it has forged (for example, in Vietnam). A highly



Local involvement



Supporting local communities and charities



Committed to training and development



Building healthy communities



Corporate Responsibility

continued



localised approach does, however, introduce additional risks. An ever-present risk is that contractors may not, in practice, share an operating company's commitment to high CR standards. This can be critical where contractors have a large degree of control over day-to-day activities, and act as the main interface with members of government and local communities. This applies particularly to locally based contractors and subcontractors whose histories and cultures may have demanded different social and environmental standards.

SOCO manages this area of risk carefully, both in its selection of contractors and the subsequent monitoring of their performance. This will become more of an issue for any development activities, where social and environmental impact would normally be much greater than that arising from SOCO's current exploration focus.

With SOCO's recent entry into West Africa, it has been important to review and clarify the Company's approach to the implementation of community relations and related risk management practices to assure the following key objectives:

- ▶ Preservation and enhancement of SOCO's reputation and that of its existing and future joint venture partners

- ▶ Reduction of corresponding operating risks in relation to the assets
- ▶ Clarification of SOCO's responsive risk management strategy
- ▶ Positioning for reporting on social risks and responsive management practices.

As such, during 2007 we have had an independent specialist review our current approach and recommend improvements. Lessons from this assessment will be applied, with appropriate modifications, to all SOCO's operations in West Africa, as well as elsewhere. The conclusions of this work will be introduced across the Company in 2008.

RECENT ACTIVITY AND OUTLOOK Africa region

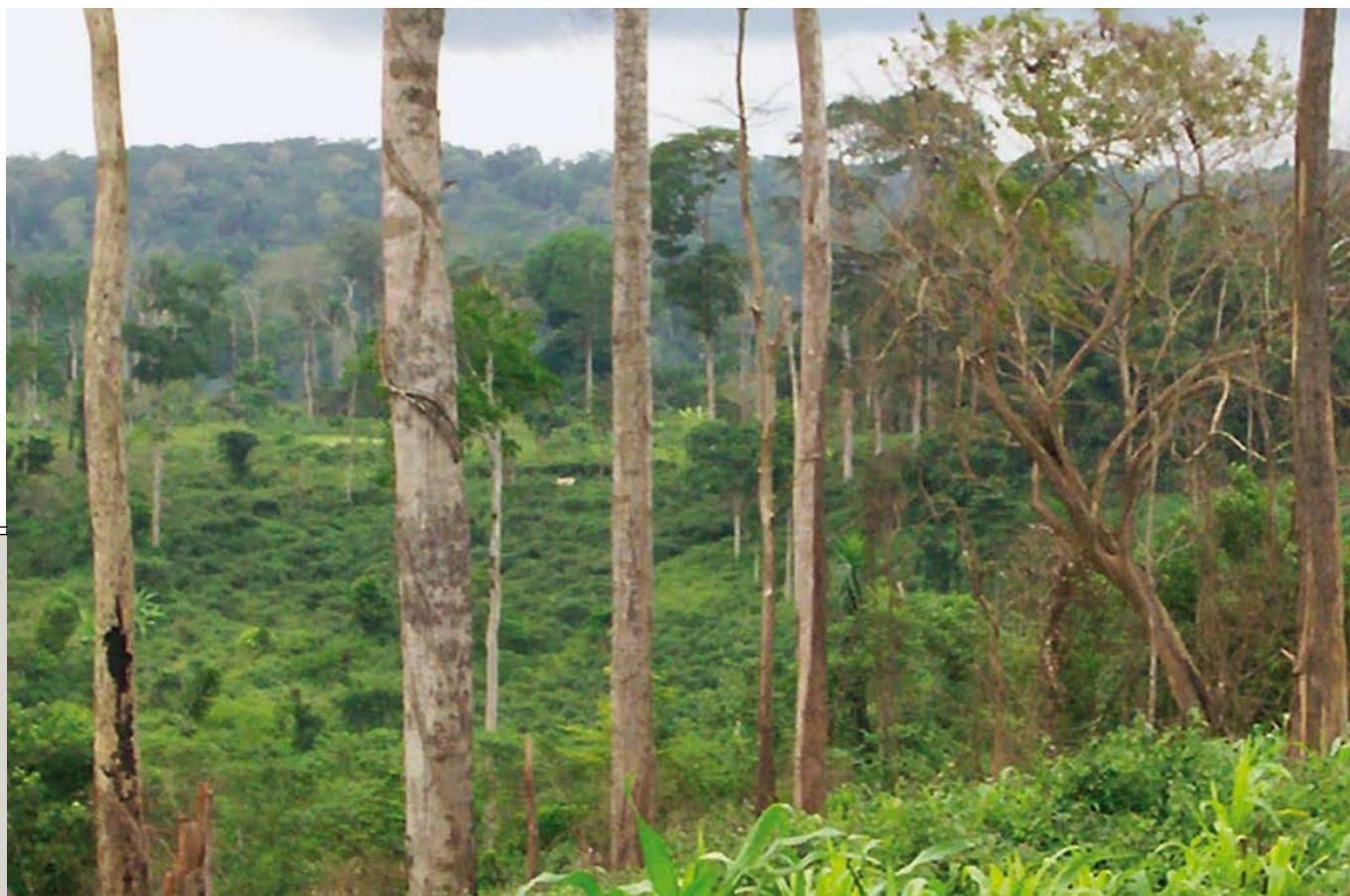
SOCO now has participation in offshore Republic of Congo (Brazzaville), onshore Democratic Republic of Congo (Kinshasa) and onshore Cabinda. SOCO is operator for the first two operations so has principal responsibility for management of CR issues.

SOCO's new operations in West Africa are managed by deploying the same approach to local involvement that the Company has taken elsewhere in the past, principally Mongolia, where our operations were always underpinned by the Company's

strong commitment to utilising and building skills among local communities. This has the effect of generating positive economic benefits, both locally and nationally. Virtually all of the people who work for our joint ventures in the Republic of Congo (Brazzaville) and the Democratic Republic of Congo (Kinshasa), whether employees or contractors, are nationals. Their association with SOCO will give them access to training of a high international standard. This approach to local communities works both ways; as well as reducing SOCO's costs and risk exposure, it will attract ongoing support from the local authorities.

Republic of Congo (Brazzaville)

The Company, together with the support and co-operation of the Ministry of Hydrocarbons in the Republic of Congo (Brazzaville), has built on the projects commenced in late 2006 aimed directly at providing support for the benefit of the local communities where we operate. These include the supply of drugs to clinics and impregnated mosquito nets to communities in the Impfondo and Dolisie districts, as well as the supply of drugs to pensioners' homes in Brazzaville, the completion of a water well for the community of Madingo-Kayes and the completion of the Ngoyo Maternity Clinic. The Company has also



provided support to the social, humanitarian and conservation work of Fondation Congo Assistance, Africa Foundation and Halte Sida.

SOCO, through its subsidiary SOCO Exploration and Production Congo, is likely to commence exploration drilling activity in 2008 and the additional work needed to support the approval of drilling operations will be completed. This will include all the required social and environmental assessments.

Democratic Republic of Congo (Kinshasa)

SOCO is currently preparing to undertake a seismic programme in its Democratic Republic of Congo (Kinshasa) licence area during 2008. Part of the planning for this survey has involved environmental and social impact assessments. An important first step was to commence the identification of local social issues which required interaction with local communities to learn about their social priorities and to inform them about the nature of impending and future operations. Being onshore, active ongoing community liaison is important as is the deployment of local personnel to support operations. Already, we have contributed to the rehabilitation of a major road and built a bridge for the local populations.

Vietnam

The Company continues to demonstrate its commitment in Vietnam through the two Joint Operating Companies. In 2007, we continued to support the construction of a rehabilitation centre for Agent Orange victims in Vinh Phuc Province. This project, supported since 2005, was inaugurated on 18 October 2007 and provides for over 600 affected individuals. Also, we participated in the financing of the construction of a Rehabilitation Centre for children of Nghe An Province. The centre will be administered by the National Fund for Vietnamese Children.

Other financial assistance was provided to upgrade and provide educational facilities to an existing deteriorating secondary school in Ha Nam Province, and to assist the construction of 50 charity houses for very low income families. Additionally, funds have been made available for emergency relief assistance during 2007.

Successful exploration and appraisal offshore Vietnam has resulted in the commitment at the beginning of 2007 to the development of the Ca Ngu Vang field. With this approval, full environmental and social impact assessments were undertaken, although impacts are expected to be minor. Oil production will pass to existing onshore facilities, so the

principal impact will be an extension of the useful life of these assets, thus having a beneficial sustainability influence. The most material environmental issue will be the production of significant quantities of associated gas. This represents an important economic asset for the Company and the Vietnamese people. Current plans are based on the successful sale of this gas for national use, passing through existing facilities. In the event that satisfactory arrangements cannot be achieved in the development timescale, the gas will be temporarily re-injected until commercial contracts can be agreed.

Yemen

In Yemen, the East Shabwa partners continue to explore options for reducing and/or eliminating the flaring of the associated gas production. Gas re-injection, with a capacity of 10 million standard cubic feet per day (MMSCFD), is now operational. At the same time, SOCO has encouraged and supported the Operator in a thorough review of all the options for gas disposal. These include using gas fired power generation to replace diesel powered engines that produce more harmful emissions than gas. This will have the added benefit of reducing road tanker traffic that is currently used to bring diesel to site. Detailed studies for NGL extraction from the gas are

Corporate Responsibility

continued



also ongoing. These two projects could account for up to an additional 15 MMSCFD of the produced gas.

Beyond this, the Operator representing the East Shabwa partners, is working closely with the Yemen government authorities to look at regional power generation and industrial gas usage. These projects, together with those mentioned above, are targeting reducing gas flaring to a minimum.

POLICY AND FUTURE MANAGEMENT OF CR

SOCO is committed to applying widely accepted good practice in CR management. The detailed guidance set out by the World Bank Group and incorporated into the Equator Principles agreed by many international lending banks is the basic approach SOCO has adopted. As well as representing good international practice, this approach has two key advantages:

- ▶ SOCO is involved in developing countries and, in conjunction with joint venture partners, would expect to raise loan finance from international aid donor agencies and Equator Principles banks

- ▶ It should be more straightforward for SOCO to agree, with governments and other critical stakeholders, a set of standards with wide international recognition rather than standards with a proprietary component.

We intend to ensure that operations in all of our projects meet high standards of environmental and social management. This will demonstrate a commitment to sustainable development through the allocation of benefits to local communities in its area of operations in the form of the creation of jobs, the creation and expansion of local infrastructure, support for local primary education and support for training and capacity building for local personnel.

The Company recognises the environmental impact of emissions from both its operated and non-operated activities. Currently, SOCO has nil operated emissions in terms of carbon dioxide equivalent. However, as part of its growth in operations, the Company is establishing a reporting mechanism through which the environmental impact of operations is measured and a means of reducing emissions of, in particular, greenhouse gases. The equity share of the

Company's non-operated emissions for 2007 was approximately 0.11 million tonnes of carbon dioxide equivalent, all of which comes from its participation in Yemen.

SOCO is committed to transparency in its activities and would expect to set up project dedicated communication channels for any major operated activities. These would be designed to manage communication with stakeholders, particularly local communities, and to highlight employment and contractor opportunities arising from direct operations as well as any indirect socio-economic activities.

While World Bank guidelines will be the operating benchmark, SOCO would expect to provide information to the wider public, either in public reports or on the Company website, in line with the guidance provided by the Global Reporting Initiative and other widely respected guidelines. The Chief Executive is responsible to the Board for HSE and other CR performance. He delegates day-to-day responsibility for managing such issues to the Vice President - Operations and Production, who is invited to all Board Meetings. These issues are reported to all Board Members in a monthly

operations report and there is a Board agenda item which addresses all significant HSE and CR issues.

The Audit Committee is responsible for reviewing all areas of the Group's corporate risk management processes, including HSE/CR. The effectiveness of these processes is monitored on a continuous basis and a formal assessment is conducted at least annually. The Senior Independent Director, who has experience in the relevant area, reviews HSE/CR performance in detail with senior managers and is kept routinely informed of any material performance issues as they arise.



BOARD OF DIRECTORS



Rui de Sousa (52)
Non-Executive
Chairman

- ▶ A member of the Board of SOCO International since July 1999 and Chairman of the Nominations Committee.
- ▶ Currently, a director of Quantic Limited, a director of New Falcon Oil Limited and Chairman of Carbon Resource Management Ltd.



Ed Story (64)
President and Chief
Executive Officer

- ▶ A member of the Board of SOCO International since April 1997 and a member of the Nominations Committee.
- ▶ Formerly, President of Snyder Oil Corporation's international subsidiary, Vice Chairman of Conquest Exploration Company, Vice President and CFO of Superior Oil Company and holder of various positions with Exxon Corporation, including seven years resident in the Far East.
- ▶ Currently, a non-executive director of Cairn Energy PLC.



Peter Kingston (65)
Non-Executive Deputy
Chairman and Senior
Independent Director

- ▶ A member of the Board of SOCO International since April 1997 and Chairman of the Remuneration and Audit Committees.
- ▶ A petroleum engineer who has worked in the oil and gas industry since 1965 in various roles.
- ▶ Formerly, a founding director of Enterprise Oil plc, then Managing Director (Technical) and a director of Elf Enterprise Petroleum Ltd.
- ▶ Currently, Executive Chairman of Tower Resources plc and a director of Plexus Energy Limited, a social and environmental advisory network.



Ettore Contini (34)
Non-Executive
Director

- ▶ A member of the Board of SOCO International since December 2001.
- ▶ Currently, a director of Eurowatt-Commerce.



Roger Cagle (60)
Executive Vice President,
Deputy CEO and Chief
Financial Officer

- ▶ A member of the Board of SOCO International since April 1997.
- ▶ Over 30 years of experience in the oil and gas industry including succeeding positions of responsibility with Exxon Corporation and senior management roles with Superior Oil Company.
- ▶ Formerly, Chief Financial Officer of Snyder Oil Corporation's international subsidiary and of Conquest Exploration Company.
- ▶ Currently, non-executive Chairman of Dominion Petroleum Ltd and a non-executive director of Vostok Energy Limited.



Martin Roberts (64)
Non-Executive
Director

- ▶ A member of the Board of SOCO International since September 2004 and a member of the Audit and Remuneration Committees.
- ▶ A Solicitor by profession and a partner of Slaughter and May, specialising in oil and gas projects, until his retirement in 2002.



John Norton (70)
Non-Executive
Director

- ▶ A member of the Board of SOCO International since April 1997 and a member of the Audit and Nominations Committees.
- ▶ A Chartered Accountant by profession and a partner at Arthur Andersen, heading the oil and gas practice in Europe, the Middle East and Africa, until his retirement in 1995.
- ▶ A former member of the Oil Industry Accounting Committee.
- ▶ Currently, a director of the Arab-British Chamber of Commerce.



Robert Cathery (63)
Non-Executive
Director

- ▶ A member of the Board of SOCO International since June 2001.
- ▶ Over 40 years of City experience.
- ▶ Formerly, Managing Director and Head of Oil and Gas at Canaccord Capital (Europe) Limited, Head of Corporate Sales at SG Securities (London) Ltd., Director of Vickers da Costa and Director of Schroders Securities.
- ▶ Currently, a non-executive director of Vostok Energy Limited, Salamander Energy PLC, Indigo Vision plc and Central Asia Metals Limited.



Olivier Barbaroux (52)
Non-Executive
Director

- ▶ A member of the Board of SOCO International since July 1999 and a member of the Remuneration and Nominations Committees.
- ▶ Formerly, Managing Director of Compagnie Générale des Eaux, President and Chief Operating Officer of Vivendi Water S.A., Head of the Energy Sector of Paribas and Chairman and CEO of Coparex International.
- ▶ Currently, Chairman and Chief Executive Officer of Dalkia and a member of the Executive Committee of Veolia Environment.



John Snyder (66)
Non-Executive
Director

- ▶ A member of the Board of SOCO International since April 1997 and a member of the Nominations Committee.
- ▶ Formerly, Chairman of the Board of Santa Fe Snyder Corporation and founder of its predecessor company, Snyder Oil Corporation.
- ▶ Currently, an advisory director for 4D Global Energy Advisors and a director of Texas Capital Bancshares.

THE ANNUAL REPORT OF THE DIRECTORS

The Directors present their annual report, along with the audited financial statements of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITY AND ENHANCED BUSINESS REVIEW

The Group's principal activity is oil and gas exploration and production. The Group has its headquarters in London and has oil and gas interests in Vietnam, Yemen, Thailand, the Republic of Congo (Brazzaville), the Democratic Republic of Congo (Kinshasa) and Angola. The subsidiary undertakings principally affecting the profits or net assets of the Group are listed in Note 16 to the financial statements.

In compliance with requirements of the Companies Act, a fair review of the performance and development of the Group's business during the year, its position at the end of the year and its future prospects is contained in the Chairman's and Chief Executive's Statement, the Review of Operations and the Financial Review on pages 6 to 23. The principal risks and uncertainties facing the Group are set out in the Financial Review on pages 20 to 23 and, in respect of the principal financial risks, in Note 3 to the financial statements. The key performance indicators (KPIs) used by management are set out on pages 17 and 21, and are summarised along with pertinent definitions in the Five Year Summary on page 71. As set out in the Corporate Responsibility Report on page 24, SOCO is committed to high standards of corporate responsibility. However, the size and scope of those projects which the Company directly operates is small with a commensurately small organisation. While we closely monitor the health, safety and environmental matters of the full portfolio, the primary measures are relevant to the performance of third party operators. Additionally, at the current staff size, key personnel matters are measured through qualitative rather than statistical measures. KPIs will be developed in these areas at an appropriate time in the evolution of SOCO's operations.

RESULTS AND DIVIDENDS

The audited financial statements for the year ended 31 December 2007 are set out on pages 51 to 70. The Directors intend to devote the Group's cash resources to its exploration and development activities and, accordingly, are not recommending the payment of a dividend (2006 – £nil).

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will be held at the offices of Ashurst, Broadwalk House, 5 Appold Street, London EC2A 2HA on 24 June 2008 at 10am. The Notice of AGM is on pages 73 to 75 of this document and sets out the proposed resolutions. Details of the proposed resolutions are set out within this report.

DIRECTORS

The Directors, all of whom held office throughout the year, and the dates of their current service contracts or letters of appointment, which are available for inspection, are listed in the table below.

Relevant details of the Directors, which include their Committee memberships, are set out on pages 30 and 31. Details of Directors' interests and Directors' transactions are included in the Directors' Remuneration Report on pages 42 to 49.

DIRECTORS HOLDING OFFICE IN 2007

Director	Date of contract
Rui C de Sousa (Chairman)	12.07.99
Peter E Kingston*	
(Deputy Chairman and Senior Independent Director)	14.05.97
Olivier M G Barbaroux*	12.07.99
Roger D Cagle	14.05.97
Robert M Cathery	19.06.01
Ettore P M Contini	11.12.01
John C Norton*	14.05.97
Martin J D Roberts*	06.09.04
John C Snyder*	14.05.97
Edward T Story	14.05.97

* Denotes those determined by the Board to be independent Non-Executive Directors as described in the Corporate Governance Report on page 36.

Mr Olivier Barbaroux, Mr Ettore Contini, Mr Robert Cathery and Mr Martin Roberts will retire by rotation at the forthcoming AGM. Mr Peter Kingston, Mr John Norton and Mr John Snyder, having served on the Board for more than nine years, are subject to annual re-election and will also retire at the AGM. Each of the retiring Directors offers themselves for reappointment, being eligible and having been recommended for reappointment by the Nominations Committee.

The Nominations Committee carefully considered its recommendations regarding the reappointment of retiring Directors with regard to the policies and processes set out in more detail in the Corporate Governance Report on pages 36 to 41, and in particular in respect of each Director's continued independence and the relevance of tenure. The Board has given full consideration to the balance of skills, knowledge and unique breadth of experience on the Board and the manner in which each of the retiring Directors contributes to that balance. In particular, the Board has considered the value of continuity of leadership through the significant development project underway in Vietnam, which is targeted to go onstream in mid-2008. These factors have been weighed in consideration of succession planning and the need to refresh Board and Committee membership. The Chairman, having

Cynthia Cagle
Vice President - Finance
and Company Secretary



given consideration to the results of the Board's formal evaluation process and other relevant factors, is satisfied that the retiring Non-Executive Directors continue to demonstrate a commitment level appropriate to the effective fulfilment of the responsibilities of the role.

The Non-Executive Directors' fees, and SOCO's process for setting those fees, are set out in the Directors' Remuneration Report on page 45 to 46. In consideration of increasing demands and fee levels in recent years generally, SOCO has given particular attention to benchmarking data. To ensure SOCO retains the ability to set its Non-Executive fees at levels that remain competitive in the evolving market, a resolution will be placed before the AGM to increase the maximum aggregate annual amount of Directors' fees to be paid out for their services as Directors from £450,000 to £650,000.

SOCO has provided liability insurance for its Directors and officers. The annual cost of the cover is not material to the Group. The Company's Articles of Association allow it to provide an indemnity for the benefit of its Directors which is a qualifying indemnity provision for the purpose of the Companies Act 1985 (the Act).

Directors of the Company are appointed either by the Board or by shareholders under terms of the Company's Articles of Association. The business of the Company is managed by its directors who may exercise all powers of the Company subject to the Articles of Association and law.

ARTICLES OF ASSOCIATION

Save for the amendment concerning conflicts of interest referred to below, the Directors are not proposing any specific amendments at the 2008 AGM to the Company's Articles of Association to reflect actual or potential changes in English company law brought about by the Companies Act 2006 (the 2006 Act). It is the Company's intention to present a composite set of proposals reflecting all such changes as are appropriate at a future general meeting of shareholders when the provisions of the 2006 Act have been implemented.

At the 2008 AGM, it is proposed to make a change to the Company's Articles of Association, with effect from 1 October 2008, to cover changes being introduced by the 2006 Act relating to Directors' conflicts of interest. The 2006 Act sets out Directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could

apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The 2006 Act also allows the Articles of Association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The proposed amendment, which will take effect from 1 October 2008, will give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the amended article should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

SUPPLIER PAYMENT POLICY

SOCO's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction to ensure that suppliers are made aware of and abide by the terms of payment. As the Company is a holding company, it has no trade creditors and accordingly no disclosure can be made of the year end creditor days.

CHARITABLE CONTRIBUTIONS

During the year the Company made contributions of £10,000 to charities registered in the United Kingdom. Information regarding the Company's global charitable programmes, which are principally carried out in the countries where the Group has operations, is contained in the Corporate Responsibility Report on pages 24 to 29.

The Annual Report of the Directors

continued

SUBSTANTIAL SHAREHOLDINGS

Name of Holder	Issued shares Number	% Held	Warrants Number
Pontoil Intertrade Limited	15,424,465	21.17	487,823
Chemsa Ltd	5,921,435	8.13	325,215
Lansdowne Partners Limited Partnership	4,901,549	6.73	–
Legal & General Group Plc	2,926,370	4.02	–
Banca Akros	2,918,077	4.00	–

SHARE CAPITAL

Details of changes to share capital in the period are set out in Note 24 to the financial statements. The Company has one class of share in issue, ordinary shares of 20 pence each, all of which are fully paid. Each ordinary share in issue carries equal rights including one vote per share on a poll at general meetings of the Company, subject to the terms of the Company's Articles of Association and law. Shares held in treasury carry no such rights for so long as they are held in treasury. Votes may be exercised by shareholders attending or otherwise duly represented at general meetings. Deadlines for the exercise of voting rights by proxy on a poll at a general meeting are detailed in the notice of meeting and proxy cards issued in connection with the relevant meeting. Voting rights relating to the shares held in the Employee Benefit Trust are not exercised. The Company's Articles of Association may only be amended by a resolution of the shareholders.

A special resolution will be placed before the forthcoming AGM to renew the Directors' existing authority to make market purchases of the Company's ordinary share capital, and to limit such authority to purchases of up to 7,287,000 shares representing up to 10% of the Company's issued share capital, excluding treasury shares. Shares purchased under this authority may either be cancelled or held as treasury shares. Two resolutions will be placed before the AGM to replace the Directors' existing authorities to allot securities. One resolution will seek authority under Section 80 of the Act to allot relevant securities up to a maximum aggregate nominal value of £4,858,191 representing one third of the Company's issued share capital, excluding treasury shares. If approved, an additional resolution will seek authority under Section 95 of the Act to allot equity securities for cash and to sell treasury shares for cash without first offering them

to existing shareholders on a pro rata basis, either in connection with a rights issue or, for other purposes, up to a maximum aggregate nominal value of £728,729 representing 5% of the Company's issued share capital, excluding treasury shares. These authorities are intended to provide flexibility and would only be exercised if considered to be in the best interests of the Company generally and, for purchases of the Company's share capital, if expected to result in an increase in earnings per share upon cancellation or while held in treasury.

SUBSTANTIAL SHAREHOLDINGS

As at 25 March 2008, the Company had been notified, in accordance with the Transparency and Disclosure Rules, of the interests in the issued share capital of the Company and warrants to subscribe for ordinary shares of the Company (Warrants) as set out in the table above.

AUDITORS

A resolution to reappoint Deloitte & Touche LLP (Deloitte) as the Company's auditors will be proposed by the Directors at the forthcoming AGM. Deloitte also provide non-audit services to the Group which are set out in Note 9 to the financial statements. The Directors are currently satisfied, and will continue to ensure, that this range of services is delivered in compliance with the relevant ethical guidance of the accountancy profession and does not impair the judgement or independence of the auditor.

Each of the Directors at the date of approval of this report confirms that, so far as he is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Each

Director has taken all steps that he ought to have taken, having made such enquiries of his fellow Directors and the auditors and taken such other steps as are required under his duty as a Director, to make himself aware of any relevant audit information and to establish that the auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Act.

By order of the Board
25 March 2008

Cynthia Cagle
Company Secretary



CORPORATE GOVERNANCE

The Company is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance that was issued in 2006 by the Financial Reporting Council (the Combined Code or the Code) for which the Board is accountable to shareholders. The Group has applied the principles set out in Section 1 of the Code, as described below and, in connection with Directors' remuneration, in the Directors' Remuneration Report.

STATEMENT OF COMPLIANCE WITH THE COMBINED CODE

Throughout the year ended 31 December 2007, the Company has complied with the provisions set out in section 1 of the Combined Code.

BOARD COMPOSITION AND INDEPENDENCE

The Board of Directors, whose names and biographical details are set out on pages 30 to 31, comprises nine Directors in addition to the Chairman. Five of these nine, including the Senior Independent Director, have been identified in the Directors' Report on page 32 as independent Non-Executive Directors in accordance with the Board's responsibility for determining whether a Director is independent in character and judgement. Notwithstanding this, the Board is satisfied that each of the Company's Directors strictly abides by their legal and ethical duties owed to the Company to act objectively and in the best interests of the Company and its shareholders as a whole.

The Board assesses the independence of each Non-Executive Director at least annually, giving full consideration to those circumstances that the Code states may appear relevant. In considering tenure exceeding nine years, the Board recognises that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. The Company manages a portfolio of long term, complex projects and benefits from long serving Directors with detailed knowledge of the Company's operations and with the proven commitment, experience and competence to effectively advise and oversee the Company's management on behalf of shareholders. The Company does not impose fixed term limits as this would assure a loss of experience and knowledge without assurance of increased independence. However, particular scrutiny is applied in assessing the continued independence of Directors having served over nine years, with attention to ensuring their allegiance remains clearly aligned with shareholders.

In conducting its current assessment the Board has considered whether each Director continues to exhibit those qualities and behaviours it considers essential for Non-Executive Directors to

be considered independent. Consideration was additionally given to the results of individual evaluation and continued satisfactory performance. Particular scrutiny was applied in assessing the continued independence of Mr Peter Kingston, Mr John Norton, and Mr John Snyder, each having served on the Board since 1997, and Mr Olivier Barbaroux, having served since 1999. Each of these Directors continues to express their individual viewpoints, debate issues and objectively scrutinise and challenge management. Each seeks clarification and amplification as deemed required, including through direct access to the Group's employees and external advisors. After careful consideration of the relevant factors, the Board has determined that the tenure of these Directors has not affected their independence or their ability to bring judgement to bear in the discharge of their duties as Board and Committee members. The Board has additionally determined that the designation of Mr Peter Kingston as Senior Independent Director and Chairman of the Audit and Remuneration Committees remains appropriate.

The Board has determined that each of these Directors, in addition to Mr Martin Roberts, is independent in character and judgement and free from any relationships or circumstances which are likely to affect, or could appear to affect, their judgement. The Board considers that the varied and relevant experience of these independent Directors combines to provide an exceptional balance of skills and experience required for the business.

REAPPOINTMENT AND REFRESHING OF THE BOARD

Directors are subject to reappointment at least every three years. Reappointment is recommended in consideration of the results of individual evaluation and demonstrated continued satisfactory performance, commitment and effectiveness. Consideration is additionally given to the balance of the Board's composition and the need for refreshment. A Non-Executive Director term exceeding six years is subject to particularly rigorous review, and a term exceeding nine years is subject to annual reappointment.

The Board embraces the underlying principles of Code provisions regarding tenure and refreshing of the Board, and seeks to strike an appropriate balance between continuity of experience and succession. The Company undertakes projects requiring long term cycles from licence negotiation to first production. Its Vietnam programme is of major significance to the Company, with first production targeted in mid-2008. The current Non-Executive Directors comprise an appropriate balance of skills and experience. Additionally, they have acquired, over a number of years, a sound and detailed knowledge of the Company's business and are



uniquely qualified to contribute to the Company's leadership at this critical stage. Although their combined tenure requires particular scrutiny under the Code, after assessment the continuity of their experience is considered to outweigh the potential benefits of refreshment at this time. The Company has planned for a phased succession to allow for both refreshment and a rebalance of the skills required on the Board as it enters the production phase in Vietnam. Steps to implement this phased succession will be initiated in the course of the upcoming year, and resulting Board appointments will be placed before shareholders for approval at the 2009 and subsequent AGMs.

BOARD STRUCTURE AND PROCESS

The Board has four scheduled meetings a year and holds additional meetings as necessary. The Board determines the Company's business strategy and provides the entrepreneurial leadership required to ensure its strategic aims can be achieved. The Board operates within a formal framework of decision making designed to reserve matters of establishing the strategy, business plan and nature or scope of the Company's business to the Board. Under this framework, authority for implementing the strategy and decisions taken by the Board is largely delegated to the Executive Directors and management within a system of internal controls designed to enable the risks of the Group to be managed effectively. Additionally, the Board has established clear expectations for the Company's economic, social and environmental conduct to promote the highest level of integrity and honesty in meeting its obligations to its stakeholders.

SOCO's Board membership comprises a broad range of skills, knowledge and experience, which is critical to the success of the Company. The Board functions as a unitary body, within which Directors assume certain roles to ensure the Board as a whole fulfils its responsibilities. These roles, including Committee memberships, are designed to maximise the effective contribution of each of the Non-Executive Directors to the Board, its Committees and to the Executive Directors, while ensuring an appropriate balance is maintained. The composition of the Board and its committees is in accordance with Code guidelines. No Director serves on more than two committees. At least annually, the Non-Executive Directors meet without the Executives present and, led by the Senior Independent Director, meet without the Chairman present. Such meetings are conducted in the spirit of good governance and process, and are intended to ensure a forum for open dialogue without disruption of Board unity.

The Chairman and the Chief Executive collectively are responsible for the leadership of the Company. The Chairman's primary

responsibility is for leading the Board and ensuring its effectiveness. The Chief Executive is responsible for leading the executives and ensuring their effectiveness in the running of the Company's business. Their division of responsibilities is set by the Board. Together they are responsible for promoting the highest standards of integrity and probity.

Executive Directors are responsible for implementing the Board's agreed strategy through the development of an appropriate business plan and for executing actions approved by the Board in accordance with relevant authorities. The Non-Executive Directors contribute to the development of strategic proposals through constructive probing based on review and analysis that brings to bear the unique skills and knowledge each brings to the Board.

The Executive Directors provide the leadership of the senior managers in the day to day running of the Group's business and manage the Group's risk programmes including the environmental, health and safety performance of the business. They must ensure the Company has adequate financial and human resources to meet its objectives. They are responsible for reporting the performance and strategic direction of the Group to the Board and for providing accurate, timely and clear information to enable the Board to take sound decisions. The Non-Executive Directors review management's performance and ensure that the systems in place provide adequate and effective financial, operational and compliance controls and risk management. They must be satisfied that they have sufficient information for the discharge of their duties, which may be achieved through dialogue with management, training where appropriate to update their knowledge or skills and consultation with independent professional advisors as required.

The Company Secretary, who is appointed by the Board, is responsible for facilitating the communications and processes of the Board, both within the Board and its committees and with management, in compliance with Board procedures and governance guidelines. The Secretary facilitates an induction programme on appointment that is tailored to a new Director's individual qualifications and experience. The Secretary provides advice and service as may be required in the ongoing discharge of the Directors' duties, including ensuring that the Company provides the necessary resources for access to independent advice and individual professional development needs. Additionally, briefing sessions are provided in the course of regular Board meetings and Committee meetings on relevant issues as deemed appropriate.

Corporate Governance

continued

The table below sets out the attendance of Directors at scheduled Board meetings and attendance of members at meetings of the Audit, Remuneration and Nominations Committees.

No. of Meetings	Board ■ ■ ■ ■	Audit Committee ■ ■ ■	Remuneration Committee ■ ■	Nominations Committee ■ ■
No. Attended				
R de Sousa	■ ■ ■ ■			■ ■
P Kingston	■ ■ ■ ■	■ ■ ■	■ ■	
O Barbaroux	■ ■ ■ ■		■ ■	■ ■
R Cagle	■ ■ ■ ■			
R Cathery	■ ■ ■ ■			
E Contini	■ ■ ■ ■			
J Norton	■ ■ ■ ■	■ ■ ■		■ ■
M Roberts	■ ■ ■	■ ■	■ ■	
J Snyder	■ ■			■ ■
E Story	■ ■ ■ ■			■ ■

COMMITTEES

The Board has established three Committees, as described below, each having formal terms of reference (TOR) approved by the Board which set out its delegated role and authority. The TORs, which are available for inspection, are set in consideration of the provisions of the Combined Code and are reviewed from time to time in the context of evolving guidance. Each Director's specific Committee memberships, including as Chairmen, are set out on pages 30 to 31. Whilst only Committee members are entitled to attend meetings, other Directors are invited to attend from time to time to ensure the Committees' responsibilities are undertaken with access to the Board's full breadth of knowledge and experience. The Company Secretary ensures that the Company additionally provides such resources as the Committees require in the discharge of their duties.

THE REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Mr Peter Kingston, the Senior Independent Non-Executive Director, and additionally comprises Mr Olivier Barbaroux and Mr Martin Roberts, both of whom are independent Non-Executive Directors. The names and qualifications of each of the members are set out on pages 30 to 31. The Committee is responsible for recommending for approval by the full Board the remuneration of the Chairman, the Executive Directors and officers of the Company and Group. During 2007, the Committee conducted a review of its TOR and of the effectiveness of its own performance. Details of the Committee's policies and objectives are set out in the Directors' Remuneration Report on pages 42 to 49.

THE AUDIT COMMITTEE REPORT

The Audit Committee is chaired by Mr Peter Kingston, the Senior Independent Non-Executive Director, and additionally comprises Mr John Norton and Mr Martin Roberts, both of

whom are independent Non-Executive Directors. The names and qualifications of each of the members are set out on pages 30 to 31. The Board is satisfied that the collective experience of the members includes relevant and recent financial experience and provides the complement of skills required for the Committee to discharge its functions effectively. In particular, Mr Norton is a Chartered Accountant and former member of the Oil Industry Accounting Committee. The Committee meets at least three times a year. The Chief Financial Officer and a representative of the external auditors are normally invited to attend meetings. Other Directors are invited to attend as determined appropriate or beneficial. At least once a year the Committee meets with the external auditors without executive Board members present.

The Committee's primary responsibilities include reviewing the effectiveness of the Company's and the Group's systems of internal control, overseeing the selection of and relationship with external auditors and the review and monitoring of the integrity of financial statements. The Committee is responsible for review of the Group's major financial, operational and corporate responsibility risk management processes. The effectiveness of these processes is monitored on a continuous basis and a formal assessment is conducted at least annually. The Committee has been delegated the responsibility for advising the full Board on compliance with the Combined Code, including its internal control requirements, as well as compliance with evolving guidance on corporate governance issues generally.

The Committee held three meetings in 2007 and has conducted one meeting to date in 2008, all of which were attended by executive management and external auditors. A private session, without executives present, was held during three of these meetings. Additionally, a number of other informal meetings and communications took place between the Chairman, various



Committee members, external auditors and the Company's executives and employees. The Committee reviewed and approved the terms and scope of the audit engagement, the audit plan and the results of the audit with the external auditors, including the scope of services associated with audit related regulatory reporting services. An assessment of the effectiveness of the audit process was made, giving consideration to reports from the auditors on their internal quality procedures. Additionally, auditor independence and objectivity was assessed, giving consideration to the auditors' confirmation that their independence is not impaired.

The Remuneration Committee, with approval of the Audit Committee, has independently appointed the Company's auditors as advisors. The advisors' terms of reference restrict the provision of certain services in order to maintain auditor independence, and the scope and value of services to the Group is under continuous review. Accordingly, any proposed non-audit service is submitted for Audit Committee review on a case by case basis, rather than by reference to preallowed or disallowed services, and regardless of size or scope. The Committee approved the non-audit services provided by the external auditor in 2007, having concluded such services were compatible with auditor independence and were consistent with relevant ethical guidance. Details of these services are set out in Note 9 to the financial statements. The Board concurred with the Committee's recommendation for the reappointment of Deloitte & Touche LLP as the Company's auditors for 2008.

The Committee has reviewed, and is satisfied with, the Company's arrangements whereby staff may raise concerns regarding improprieties in confidence, which would be addressed with appropriate follow-up action. On behalf of the Board, the Committee has reviewed the effectiveness of the Company's internal controls and risk management systems, including consideration of an internal audit function, which is more fully described in the Internal Control section of this report. The Committee has reviewed and approved the related compliance statements set out therein. The Committee has additionally reviewed and approved the statements regarding compliance with the Combined Code.

The Committee reviewed and discussed with management and the auditors the Company's relevant financial information prior to recommendation for Board approval. This included in particular the financial statements and other material information presented in the annual and interim reports. The Committee considered the significant financial reporting issues, accounting policies and judgements impacting the financial statements, and the clarity of disclosures. The Committee conducted a review of its TOR and of the effectiveness of its own performance.

THE NOMINATIONS COMMITTEE REPORT

The Nominations Committee is chaired by Mr Rui de Sousa, the Non-Executive Chairman of the Company. It additionally comprises Mr Ed Story, the Chief Executive Officer, and Mr Olivier Barbaroux, Mr John Norton and Mr John Snyder, who are independent Non-Executive Directors. The Committee meets at least once a year. Its primary responsibilities include making recommendations to the Board regarding the appointment and reappointment of Directors and Committee memberships. It is responsible for review and recommendations regarding overall Board structure and composition, succession planning and establishing an ongoing process for evaluating the Board and its members.

The Committee held two meetings in 2007 and has conducted one meeting to date in 2008. Other Non-Executive Directors were in attendance at a portion of these meetings by invitation. Certain Committee functions were delegated to a Sub-Committee, which acted on behalf of the Committee after an appropriate dialogue among Committee members to ensure a consensus of views. Additionally, a number of other informal meetings and communications took place between the Chairman, various Committee members and the Company's executives and employees.

During the year the Committee reviewed Board structure, size and composition, including a profile of the skills, knowledge and experience represented on the Board, which was utilised to facilitate the Board's review of Director independence, including tenure in particular. The Committee made recommendations to the Board concerning plans for succession which were developed in consideration of the need for refreshment while taking into account the skills and experience needed on the Board to meet the specific challenges and opportunities facing the Company. The results of these reviews were in turn utilised in developing the Committee's recommendations for continuation in office and reappointment of retiring Directors.

The Committee has a process in place for identifying and nominating candidates to fill vacancies which may arise from time to time, including ensuring Board membership is sufficiently refreshed and retains an appropriate balance of skills and experience. The Committee develops an appropriate description of the role, estimated time commitment and the capabilities which would complement the composition of the Board and its Committees. The Committee would expect to utilise an independent external advisor to facilitate any search. A diverse list of candidates is compiled and a rigorous review process undertaken, involving other Board members as deemed appropriate. Committee recommendations are submitted for full Board approval. The Company Secretary facilitates induction upon appointment.

Corporate Governance

continued

The Committee led the Board in evaluating its own performance and that of its Committees and individual Directors. The Company Secretary facilitated compilation of the results. The Senior Independent Director facilitated relevant discussions regarding the role of the Chairman. The process was undertaken for the purpose of adding value to the quality of the Board and its procedures through identifying and addressing strengths and weaknesses. Additionally, it was utilised to assess Director effectiveness and the time commitments of Non-Executive Directors. Actions for improvement were undertaken as deemed appropriate. The Committee performed a review of its TOR and of its own performance as part of this process.

After giving consideration to Board structure and composition, evaluations, time commitments, length of service, individual contributions and the requirements of the Board, the Committee recommended that each of the retiring Directors be proposed by the Board for reappointment at the forthcoming AGM. Additional detail regarding the Board process in making this determination is set out within this report on pages 36 to 38.

RELATIONS WITH SHAREHOLDERS

The Executive Directors are responsible for ensuring effective communication is maintained with key stakeholders and partners, including establishing an appropriate level of contact with major shareholders and ensuring that their views are communicated to the Board. The Non-Executive Directors are responsible for taking sufficient steps to understand these views, including any issues or concerns.

SOCO maintains an open and active dialogue with shareholders. The Company maintains an internet website wherein important information can be posted and disseminated promptly to a wide audience and through which shareholders can electronically interface with executive management. At a minimum, the Company provides three personal communication forums annually – the AGM, the presentation of Annual Results and the presentation of Interim Results – whereby shareholders can directly interface with Company executive management. Notice of the AGM is circulated to all shareholders at least 21 clear days prior to the meeting, and resolutions are proposed for each substantially separate issue. The result of proxy voting is announced after votes are taken on a show of hands. Directors are available to answer shareholder questions and, in particular, the Chairmen of the Audit, Remuneration and Nominations Committees are in attendance to respond to any specific queries.

The Company has assigned a senior executive the responsibility for investor relations and has employed an outside agency, both to provide assistance in the dissemination of information

to shareholders and the general public and to actively solicit feedback as to the effectiveness of such efforts. Additionally, the Company maintains an ongoing, active dialogue with institutional shareholders, specifically and proactively seeking opportunities for face-to-face meetings at least twice a year, coincident with mid-term and full year results, between fund managers and Company executive management.

Brokers' reports are discussed at scheduled Board meetings and public relations and analysts' reports are distributed to the full Board. A Non-Executive Director maintains regular communications with SOCO's major institutional shareholders, reports feedback directly to the Board and advises the Board when additional communication from the Chairman, Senior Independent or other Non-Executive Directors has been requested. The Chairman regularly interfaces with other principal shareholders. The Board considers whether additional communication may be appropriate or desirable. In particular, the delegated role of the Senior Independent Director includes being available to shareholders if they have concerns which cannot be fully or appropriately addressed by the Chairman or the Executive Directors.

INTERNAL CONTROL

The Directors are responsible for establishing, maintaining and reviewing the effectiveness of a sound system of internal control which is designed to provide reasonable assurance regarding the reliability of financial information and to safeguard the shareholders' investment and the assets of the Company and Group. Given the inherent limitations in any system of internal control, even a sound system can only provide reasonable assurance, and not absolute assurance, that the Company will not be hindered in achieving its business objectives or be protected against material misstatement or loss.

The Board has put in place formally defined lines of responsibility and delegation of authority and has delegated to executive management the implementation of material internal control systems. Documented policies and procedures are in place for key systems and processes and the authority of the Directors is required for key matters.

A comprehensive budgeting process is in place for all items of expenditure and an annual budget is approved by the Board. Actual results are reported against budget on a regular basis. Revised forecasts for the year and longer term financial projections are produced regularly throughout the year.

The Board has the primary responsibility for identifying the major business risks facing the Company and Group and developing appropriate policies to manage those risks. The risk management



approach is used to focus attention on the Group's most significant areas of risk and to determine key control objectives.

The Board has applied Principle C.2 of the Combined Code, by establishing a continuous process, which has been in place throughout the year to the date of this report and which is in accordance with Internal Control: Revised Guidance for Directors on the Combined Code published in October 2005, for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the process, which is constantly evolving to meet the demands of a dynamic environment.

In compliance with Provision C.2.1 of the Combined Code, the effectiveness of the Group's system of internal control, including financial, operational and compliance controls and risk management, is regularly reviewed by the Directors. The review is based principally on discussions with management and on reviewing reports provided by management to consider whether significant risks are identified, evaluated, managed and controlled, but also may include independent interaction with employees or third parties. The Board considers whether appropriate actions are taken promptly to correct any significant weaknesses identified, and if more extensive monitoring may be required. The Board confirms that such actions as deemed necessary and appropriate have been or are being taken to remedy any significant failings or weaknesses identified in its review. The Board seeks to ensure that internal control and risk management processes, including dealing with any identified areas of improvement, are embedded within the business.

The Board has performed a specific assessment for the purpose of this Annual Report and Accounts, which considers all significant aspects of internal control arising during the period, and is satisfied with the process employed and the results thereof. The Audit Committee spearheads the Board in discharging its review responsibilities. Audit Committee membership comprises highly experienced professionals with complementary areas of expertise in the oil and gas sector and each Committee member makes an important contribution to the assurance process. Mr Peter Kingston, Mr John Norton and Mr Martin Roberts undertake specific review processes in the areas of technical and operating, financial and audit, and commercial and legal, respectively, and report the results of their work to the full Committee and to the Board. Although the Company does not currently have an internal audit function, the Directors review at least annually the need to establish such a function. The Company's current staff size limits the ability to form an effective internal audit function and, accordingly, the Company expects to outsource any internal audit requirements.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements, including a Directors' Report and Directors' Remuneration Report in compliance with the requirements of the Companies Act 1985. Financial statements are prepared in accordance with IFRS both for the Group, as required, and for the Company, by election. Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985, and Article 4 of the IAS Regulation.

IFRS requires that financial statements for each financial year fairly present the financial position, financial performance and cash flows of the Group. The Directors are required to faithfully represent the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses in accordance with the relevant framework set out by the IAS Board. The Directors are also required to: properly select and apply accounting policies; present information in a manner that provides relevant, reliable, comparable and understandable information; and provide additional disclosures when compliance with IFRS requirements is insufficient to enable the user to fully understand the impacts on the entity's financial position and financial performance.

The Directors are required to prepare financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business. After making enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements. The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and Group. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the Company website.

AUDITORS' RESPONSIBILITIES

The auditors' responsibilities are set out in the Independent Auditors' Report on page 50.

THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 and the relevant requirements of the Financial Services Authority (FSA). The disclosures contained in this report that are specified for audit by the Directors' Remuneration Regulations are covered in the scope of the Independent Auditors' Report on page 50. A resolution to approve the report will be proposed at the forthcoming Annual General Meeting. The Company has complied throughout the period with the provisions relating to Directors' remuneration as issued by the Financial Reporting Council in July 2003 and set out in the Combined Code (the Code). The Company has applied the principles set out in Code provisions and in Schedule A to the Code as described below.

REMUNERATION COMMITTEE

The independent Non-Executive Directors who serve on the Remuneration Committee are Mr Peter Kingston (Chairman), Mr Olivier Barbaroux and Mr Martin Roberts. After careful consideration, including with regard to tenure, each member has been determined by the Board to be independent in character and judgement as described more fully in the Corporate Governance Report on pages 36 to 41. All members are independent of management and free from any conflicts of interest arising from cross-directorships or day-to-day involvement in running the Company's business. No member has any personal financial interest, other than as shareholders, in the matters delegated to the Committee. No Director plays a role in deciding his own remuneration. Additional information regarding the Committee is contained in the Corporate Governance Report on pages 36 to 41.

The Committee is responsible for determining and agreeing with the full Board a broad remuneration policy that is aligned with the Company's business strategy in the creation of shareholder value. Within the context of that policy, the Committee is responsible for setting the total remuneration packages of the Executive Directors and officers of the Group. The Committee also monitors the remuneration practices and trends throughout the Group's internationally based workforce, including in particular for senior staff who contribute most significantly to achieving the Company's strategic aims. Additionally, the Committee is responsible for setting the remuneration of the Non-Executive Chairman. The Committee's recommendations and decisions are developed in full consideration of the Code, institutional guidelines and evolving market practice.

In discharging its duties during the year, the Committee consulted with the other Non-Executive Directors, and received full Board approval for its proposals. In particular, the Committee has sought advice as it considers appropriate from Mr Rui de Sousa, who

it considers offers the Committee a valuable perspective as a substantial shareholder, in ensuring the strategy to align executive interests with those of shareholders is properly weighed against the overall quantum of remuneration and the cost to shareholders. The Committee consulted with the Chief Executive on its proposals for the other Executive Director and senior management, and received administrative assistance from the Company Secretary. The Audit Committee is consulted as deemed appropriate in setting and assessing the fulfilment of targets based on financial terms.

Deloitte & Touche LLP (Deloitte) was independently retained by the Committee as advisors and provided advice on executive remuneration in terms of relevant current market practice and developments in best practice guidance, and in particular on the testing and setting of performance criteria for incentive plans. The original appointment of advisors resulted from a tender process and alternate advisors are considered from time to time. Deloitte also provided audit services to the Group, as set out in Note 9 to the financial statements and described more fully in the Corporate Governance Report on pages 36 to 41. The advisors' terms of reference restrict the provision of certain services in order to maintain auditor independence, and the scope and value of services to the Group is under continuous review. Advice is developed with use of established methodologies and the advisors are not involved in the decision-making process. Advisory partners and staff have no involvement in audit, and are not involved in the preparation of audited information.

REMUNERATION POLICY

The policies described in this report have been applied throughout 2007. Whilst these policies are envisaged to be consistently applied in the following and subsequent years, the Committee has an ongoing process for monitoring its policies, including its arrangements for performance based pay, against evolving market practice and relevant guidance. Any proposed change would only be implemented following a consultation, review and approval process deemed appropriate to such change.

The Directors believe that a uniquely qualified and motivated executive management is vital to the effective management of the Company's international portfolio and the successful execution of the Company's stated strategy of building shareholder value. It is the Committee's objective to attract and retain high calibre executives through remuneration which is competitive with that offered in comparable businesses and is appropriate to those individuals' positions, experience and value to the Company. The Committee aims to design remuneration packages with a significant short and long term performance-related element linking appropriate, but significantly greater, rewards for greater achievements. The



Committee seeks to ensure performance based pay is linked to its business strategy. To achieve this, shorter term performance is monitored against targets based on the Company's strategic plan. In the longer term, performance targets are more closely linked to share price performance as an indicator of the Company's success in building shareholder value.

EXECUTIVE DIRECTORS

The Committee reviews all aspects of remuneration on an annual basis and with respect to individual and corporate performance during the year. These reviews are normally conducted in December. The projected value and structure of the Executive Directors' packages are benchmarked against competitive market ranges, taking into consideration the Group's size and complexity, and positioned within those ranges considering the Executive Directors' critical value to the Company and demonstrated performance over time. Similar benchmarking techniques are applied to non-Board employees and the Committee monitors senior staff packages during the review of Executive Directors' packages. Year on year results of benchmarking are monitored for indications of potential unwarranted upward ratcheting.

PACKAGE COMPONENTS

Executive remuneration comprises a fixed basic salary and eligibility to receive an annual performance based cash bonus and annual awards under incentive plans approved by shareholders and designed to provide appropriate longer term incentive opportunities. The annual cash bonus range is structured to provide an appropriate balance between basic salary and the performance related element of annual cash remuneration. Overall packages are structured to deliver 60% of the projected value of the Directors' total compensation opportunity from performance related elements at performance levels in the middle of the target range, increasing to 80% at exceptional performance levels. Executive Directors are eligible for additional benefits, including money purchase pension scheme contributions, a permanent health insurance scheme, medical insurance, life assurance cover, critical illness cover, travel benefits and car benefits.

BASIC SALARY

Basic salary is fixed at appointment or in relation to changes in responsibility, and is reviewed annually. Particular care is given in fixing the appropriate salary level considering that cash bonus and incentive plan awards are generally set as a fraction or multiple of basic salary. Basic salary is the only element of a Director's pay which is pensionable. Annual reviews take into consideration advice from remuneration consultants regarding relevant current market practice for salary levels and salary increases, as well as demonstrated performance. Following the annual review

conducted in December 2007, with effect from 1 January 2008 each Executive Director's basic salary has been increased by 5%.

BONUS

Bonus awards are considered in two levels, wherein expected performance will result in awards in a target range of up to 50% of salary, with a stretch level providing a maximum annual cash bonus opportunity of up to 100% of salary for exceptional performance.

The annual cash bonus is awarded based on individual and corporate achievements during the year towards goals based on the Company's strategic plan. Goals are set annually for each portion of the Company's portfolio aimed at achieving the specific challenges the Company faces in meeting its strategic objectives. The monitored measures for particular projects may include specified timetables for seismic, drilling and construction programmes, drilling success ratios, discovery targets, reserve levels and production targets. Portfolio objectives are set regarding progress towards potential non-core asset divestitures and new ventures. Corporate goals, safety and environmental measures and financial measures against budgeted levels are additionally established as deemed appropriate. The specific targets set against these measures are considered to be commercially sensitive and are therefore not set out herein. The actual achievement of each goal is ranked against a scale of expectations. The Committee retains discretion over the amount of bonus paid out to ensure that appropriate consideration is given to the relative importance of the achievements in the year and the actual contribution of these towards furthering the Company's strategic plan.

The final measurement of 2007 performance is as yet uncertain due to drilling in progress on the high profile Te Giac Den side track (TGD-1XST1) well, spudded in the fourth quarter as a sidetrack to the well spudded in April 2007. Results of this well could add a significant achievement attributable to 2007 performance. Pending these results, achievements for the year provide a solid target performance as measured against the Group's 2007 goals. A continuous exploration programme was undertaken on Block 16-1, and a six month licence extension was obtained to allow evaluation of the highly prospective, high pressure area identified on the Block. Benchmarks set for progressing an accelerated development plan for the Ca Ngu Vang field in Vietnam were achieved, and first production currently remains on target for mid-2008 despite resource constraints experienced within the sector generally. Declaration of commerciality on Te Giac Trang was not achieved, as efforts were refocused to resolve delays imposed by a small field discovery on an adjoining block. While significant progress has been made, this remains a goal to be achieved in 2008. Targeted drilling results in Yemen were exceeded, leading to

The Directors' Remuneration Report

continued

a reserves increase, and infrastructure improvements are underway which are expected to increase production capability to a higher maximum than originally targeted. The terms of the potential sale announced in February 2008 demonstrates the Company's success in recognising and capturing significant upside potential in the Yemen asset. The Company added an additional licence interest in the Congo Basin and, although experiencing some delays, has made steady progress in achieving the benchmark goals for progressing the projects in this core area to the drilling phase. The Thailand project has been progressed towards first production in 2008.

In order to ensure awards accurately reflect the result of 2007 performance, the 2007 bonus awards will be determined in two tranches. Based on measurement to date of the year's achievements against the targets set out, and in consideration of their individual contributions, an initial bonus has been awarded to Mr Story and Mr Cagle at the policy target bonus rate of 50% of salary. Pending results of the TGD-1XST1, the Committee will give consideration to an additional bonus award of up to 50%, in line with the maximum policy bonus rate.

INCENTIVE PLANS

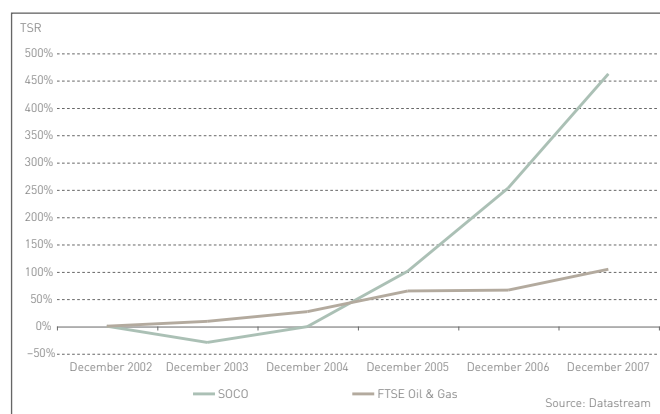
The Committee currently operates one scheme, the Long Term Incentive Plan (LTIP). The SOCO 1997 Company Share Option Plan terminated on 25 April 2007 without prejudice to the subsisting rights of participants. The Committee will give consideration to the introduction of a new scheme at an appropriate time, which would be submitted for shareholder approval.

An employee benefit trust currently holds sufficient SOCO shares to satisfy all shares conditionally awarded under the LTIP, as more fully described in Note 25 to the financial statements. Decisions governing acquisitions of shares into the trust are considered and approved by the full Board. The aggregate number of new issue shares which may be subject to awards under all relevant executive share schemes shall not exceed 5% of the ordinary share capital of the Company in any rolling 10 year period. Accordingly, at 31 December 2007, 3.6 million new issue shares (2006 – 3.6 million) may be subject to awards, of which there is available capacity remaining of 0.5 million shares (2006 – 0.5 million).

Further details of incentive share awards are set out in the table on page 47 and in Note 27 to the financial statements. Charges which have been reflected in the Group's income statement in respect of incentive schemes are set out in Note 27 to the financial statements.

FIVE YEAR TSR PERFORMANCE

The performance graph below sets out SOCO's TSR performance over the past five years. The FTSE Oil & Gas Index performance is similarly set out, being a broad market index which is sector specific.



LTIP

Participation in the Company's LTIP is discretionary and determined in consideration of corporate and individual performance. Awards are subject to limits on individual participation whereby the market value, as measured at the date of grant, of shares subject to awards made in any financial year will not exceed 200% of the executive's total earnings in that year, except in exceptional circumstances on appointment. The Committee, however, has a policy of operating within the more restrictive annual limit of 200% of the executive's base salary.

At the date of grant of an award, the Committee sets appropriate performance criteria to be measured on the third anniversary of the date of grant and deemed fulfilled to the satisfaction of the Committee before the award can be exercised or vest. LTIP awards are considered in the course of the annual review in December, which is intended to put in place an opportunity for regular annual vesting based on performance targets achieved over successive three year periods. Award levels will take into account the nature of performance targets to ensure that projected total compensation opportunity at assumed levels of share price growth is appropriate in the prevailing market.

The Remuneration Committee considers that the Company's relative total shareholder return (TSR) provides the primary basis for determining the value generated for shareholders over the longer term, and is also the primary indicator of the Company's



overall corporate performance. Accordingly, performance targets for awards to date have been set with reference to the Company's relative TSR performance over a three year period against a range of comparator companies in the oil exploration and production sector. Additionally, prior to the vesting of an award the Committee gives consideration, in light of any exceptional circumstances during the relevant three year period, to whether the TSR results are consistent with the achievement of actual underlying financial and operational performance of the Company. For awards to date, this shall primarily be assessed, on the basis of appropriate external advice, in terms of the additions to and the management and quality of the Group's oil and gas reserves in view of goals set by the Board. Once the Committee determines performance criteria have been met, there may additionally be a requirement that awards be held for a specified retention period prior to exercise or receipt.

Measurement of the Company's performance criteria is carried out with reference to external data sources provided by the Committee's remuneration advisors to ensure its independence. If the TSR ranking exceeds the median, 30% of the award will become capable of vesting, with full vesting only for performance in the top 17 percentile. The actual vesting percentage will be calculated on a pro rata basis between ranking positions to more closely reflect SOCO's actual TSR performance relative to the next highest and lowest comparators.

The comparator group comprises Aminex, Burren Energy, Cairn Energy, Dana Petroleum, Dragon Oil (through 2006), First Calgary (from 2007), JKX Oil and Gas (from 2007), Paladin Resources (through 2004), Premier Oil, Ramco Energy (through 2006), Regal Petroleum, ROC Oil (from 2005), Salamander Energy (from 2007), SOCO, Sterling Energy (from 2007), Tullow Oil and Venture Production.

In consideration of corporate and individual performance and giving consideration to the Company's TSR result for 2007, discretionary awards were granted to the Executive Directors over shares with a market value of 190% of base salary. Following measurement of the Company's performance against the comparator group for awards granted in 2004, 100% of the awards have been declared vested. The Committee is satisfied that the performance criteria measurement has resulted in a vesting level appropriate to the underlying performance of the Company.

PRE-FLOAT OPTION SCHEME

The Directors hold share options under the SOCO-sub Unapproved Share Option Plan which were granted prior to the 1997 listing of the Company's shares on the London Stock Exchange and are fully vested and exercisable. No additional grants are available under the plan. These options were set to lapse on 15 March 2008 under terms of the Plan as amended in consideration of legislative changes. After further consideration of the Company's frequent and extended close periods, the Board has exercised its power to make a further administrative amendment to the Plan to more closely align with the relevant legislative changes. Accordingly, the options will lapse on the later of 15 March 2008 or 30 days following the end of any close period for trading in effect at that date.

PENSION CONTRIBUTIONS

Contributions are paid into two money purchase pension schemes in respect of the Executive Directors. Annual contribution levels are set at 15% of salary. The Company monitors its pension commitments, including Executive Directors' arrangements, in light of pension legislation and taxation in the relevant jurisdictions. No changes are currently contemplated.

OTHER POLICIES

With prior approval of the Board, Executive Directors are allowed to accept non-executive appointments to other boards and to retain the associated directors' fees. Under this policy Mr Story has been released to serve on the board of Cairn Energy PLC and Mr Cagle has been released to serve on the boards of Vostok Energy Limited and Dominion Petroleum plc. Mr Story and Mr Cagle retained associated fees for 2007 in the amount of £50,000 and £60,000, respectively.

The Executive Directors have held a meaningful shareholding in the Company which they have continued to build since its founding in 1997. Accordingly, and giving due respect to the Executives' demonstrated actions, the Board has not set this requirement out in policy. An appropriate policy regarding shareholding targets will be given consideration upon any prospective Executive Director appointment.

NON-EXECUTIVE DIRECTORS

The remuneration of the Non-Executive Chairman is set by the Committee and approved by the Board. The remuneration for other Non-Executive Directors is recommended by the Chief

The Directors' Remuneration Report

continued

Executive and the Chairman and determined by the Board as a whole. Remuneration levels are set based on outside advice and the review of current practices in other companies, giving consideration to the time commitment and responsibilities of the role. In consideration of increasing demands and fee levels in recent years generally, SOCO has given particular attention to benchmarking data to ensure its fees remain appropriate. Based on these factors, the annual fees for services as Directors payable to the Non-Executive Directors remained unchanged, except for those fees payable to the Chairman which were set at £135,000 with effect from 1 January 2008. The fees have been set within the aggregate limits set out in the Company's Articles of Association and approved by shareholders. Non-Executive Directors are not eligible for participation in the Company's incentive schemes or pension schemes.

DIRECTORS' CONTRACTS

Executive Directors' contracts are for an indefinite period and are terminable by either party on giving one year's notice which may be satisfied with a payment in lieu of notice. The Committee has a duty to prevent the requirement to make payments that are not strictly merited, and endorses the principle of mitigation of damages on early termination of a service contract. Any payment on early termination will be assessed on the basis of the particular circumstances, but in any event will not be in respect of any period beyond the one year specified by contract. The Non-Executive Directors' appointments are terminable at the will of the parties but are envisaged to establish an initial term of three years after which they will be reviewed annually. The dates of the Directors' service contracts or letters of appointment, which may not coincide with their initial date of appointment, are set out in the Directors' Report on page 32.

AUDITED INFORMATION

Directors' emoluments

	Fees/basic salary £000's	Benefits ¹ in kind £000's	Annual ² bonus £000's	Total ² 2007 £000's	Total 2006 £000's
Executive Directors					
E Story	419	21	209	649	810
R Cagle	314	30	157	501	622
Non-Executive Directors					
R de Sousa	125	–	–	125	33
P Maugein	–	–	–	–	70
P Kingston ³	65	–	–	65	60
O Barbaroux	36	–	–	36	30
R Cathery	36	–	–	36	30
E Contini	36	–	–	36	30
J Norton	36	–	–	36	30
M Roberts	36	–	–	36	30
J Snyder	36	–	–	36	30
Aggregate emoluments	1,139	51	366	1,556	1,775

¹ Benefits include medical insurance, life assurance cover, critical illness cover and car benefits.

² Pending results of the TGD-1XST1 well currently drilling, the Committee will give consideration to an additional bonus award of up to 50% of salary in line with the maximum policy bonus rate, as described more fully in the Bonus section of this report. Such amounts will be disclosed in next year's accounts.

³ Emoluments receivable by Mr Peter Kingston are paid to Peter Kingston & Associates.

No Directors received amounts as compensation for loss of office as a Director during the year.

Directors' pension entitlements

Contributions paid into two money purchase schemes by the Company in respect of the Executive Directors were as follows:

Executive Director	2007 £000's	2006 £000's
E Story	63	59
R Cagle	47	44
	110	103

Directors' incentive share awards

Details of Directors' options or rights to acquire ordinary shares in the Company are as follows:

	As at 1 January 2007	Granted/ awarded	Exercised	Lapsed	As at 31 December 2007	Exercise price £	Date potentially exercisable ³	Expiry date
E Story								
Pre-IPO share plan ¹	1,973,954	–	–	–	1,973,954	0.750	29.05.97	15.03.08
Deferred bonus ²	160,000	–	–	–	160,000	–	01.01.03	21.03.11
LTIP ²	175,140	–	–	–	175,140	–	24.05.04	23.05.11
	153,840	–	–	–	153,840	–	10.12.04	09.12.11
	48,400	–	48,400	–	–	–	19.12.06	–
	111,400	–	–	–	111,400	–	09.12.07	15.03.08
	75,600	–	–	–	75,600	–	20.12.08	–
	55,600	–	–	–	55,600	–	18.12.09	–
	–	37,700 ⁴	–	–	37,700	–	12.12.10	–
R Cagle								
Pre-IPO share plan ¹	986,977	–	–	–	986,977	0.750	29.05.97	15.03.08
Deferred bonus ²	112,000	–	–	–	112,000	–	01.01.03	21.03.11
LTIP ²	122,580	–	–	–	122,580	–	24.05.04	23.05.11
	107,700	–	–	–	107,700	–	10.12.04	09.12.11
	33,920	–	33,920	–	–	–	19.12.06	–
	77,900	–	–	–	77,900	–	09.12.07	15.03.08
	52,900	–	–	–	52,900	–	20.12.08	–
	41,700	–	–	–	41,700	–	18.12.09	–
	–	28,300 ⁴	–	–	28,300	–	12.12.10	–

¹ Options held under the SOCO-sub Unapproved Company Share Plan were granted prior to the listing of the Company's shares on the London Stock Exchange. Awards are vested and are capable of exercise. See page 45 in respect of the expiry date of the awards.

² Additional details regarding the LTIP are set out within this report. LTIPs were exercised on 18 December 2007 at a market price of £20.32, resulting in a gain of £1.0 million and £0.7 million on exercise by Mr Ed Story and Mr Roger Cagle, respectively. Those awards set out as exercisable prior to 1 January 2008 are in the form of nil price options to acquire ordinary shares in the Company. They have been tested against the relevant performance schedules attached to the awards and the balance held as at 31 December 2007 has been determined to be fully vested. The date of expiry of awards may be delayed in consideration of Model Code restrictions. Those awards set out as potentially exercisable from a date subsequent to 31 December 2007 are in the form of contingent rights to acquire ordinary shares in the Company at no cost. Vesting of the awards and delivery of shares remains conditional upon performance criteria and consideration of Model Code restrictions.

³ Options may not be exercised without appropriate Board consents, the Board having given consideration to any requirements on participants to maintain a specified minimum number of shares under option (or equivalent shareholding requirements).

⁴ Conditional awards were made on 12 December 2007 when the market price of the ordinary shares was £21.11.

The Directors' Remuneration Report

continued

The market price of the ordinary shares at 31 December 2007 was £22.00 and the range during the year to 31 December 2007 was £11.91 to £23.95.

Directors' transactions

Pursuant to a lease dated 20 April 1997, Comfort Storyville (a company wholly owned by Mr Ed Story) has leased to the Group office and storage space in Comfort, Texas. The lease, which was negotiated on an arm's length basis, has a fixed monthly rent of \$1,000.

Under the terms of an acquisition approved by shareholders in 1999, the Company and its strategic shareholder group (Investor Group), including Quantic Limited (Quantic) in which Mr Rui de Sousa has a non-notifiable share interest, jointly participate in certain regions in which the Investor Group utilises its long established industry and

government relationships to negotiate and secure commercial rights in oil and gas projects. In the 2004 Annual Report and Accounts the form of participation to be utilised was set out to be through equity shareholdings in which the Investor Group holds a minority interest in special purpose entities (SPEs) created to hold such projects. The shareholding terms have been modelled after the SOCO Vietnam Ltd arrangement which was negotiated with third parties. Quantic's minority holdings in the subsidiary undertakings which principally affected the profits or net assets of the Group are shown in Note 16 of the financial statements. The Group has entered into a consulting agreement, which the parties have agreed to extend through July 2008, wherein Quantic is entitled to a consulting fee in the amount of \$50,000 per month in respect of such services as are required to review, assess and progress the realisation of oil and gas exploration and production opportunities in certain areas.

Directors' interests

	Number of Shares		Number of Options ¹		Number of Warrants	
	2007	2006	2007	2006	2007	2006
Executive Directors						
Ed Story	1,567,988	1,569,893	2,743,234	2,753,974	–	–
Roger Cagle ²	751,026	716,246	2,389,506	2,401,086	–	–
Non-Executive Directors						
Rui de Sousa ³	770,076	728,924	–	–	1,509,201	1,549,853
Peter Kingston	4,000	4,000	–	–	–	–
Olivier Barbaroux	20,000	20,000	–	–	–	–
Robert Cathery	100,000	100,000	–	–	–	–
Ettore Contini	60,000	60,000	–	–	–	–
John Norton	115,000	115,000	–	–	–	–
Martin Roberts	5,000	5,000	–	–	–	–
John Snyder ⁴	200,000	200,000	–	–	–	–

¹ Details of Options granted to or held by the Directors in respect of their services as a director, including any relevant conditions of exercise, are set out in the table of Directors' incentive share awards.

² Mr Roger Cagle's interests include 281,583 Shares (2006 – 266,773) and 859,449 (2006 – 865,409) Options held by Ms Cynthia Cagle, the Options having been granted to her in respect of her services to the Group.

³ In addition to 48,652 (2006 – 7,500) Shares held personally, Mr Rui de Sousa's interest is held by Palamos Limited, which is owned by a trust company whose potential ultimate beneficiary is the family of Mr de Sousa. Palamos Limited holds 721,424 (2006 – 721,424) Shares, 55,336 (2006 – 55,336) Warrants at an exercise price of £0.55 per Share, 925,187 (2006 – 925,187) Warrants at an exercise price of £0.60 per Share and 528,678 (2006 – 528,678) Warrants at an exercise price of £0.65 per Share.

⁴ Mr John Snyder's interest is held by Snyder Family Investments, L.P., which is owned by Mr Snyder and other partnerships and trusts of which Mr Snyder and members of his family are owners and/or beneficiaries.

The Directors who held office at 31 December 2007 had interests (all of which were beneficial except as noted below) in the ordinary shares of the Company (Shares), warrants to subscribe for the same number of Shares (Warrants) and contingent rights or options to acquire Shares (Options) at 31 December 2007 as shown in the table above.

Whilst the Executive Directors, as potential beneficiaries, are technically deemed to have an interest in all Shares held by the SOCO Employee Benefit Trust (Trust), the table on page 48 only includes those Shares which are potentially transferable to the Directors and their families pursuant to Options which have been granted to them under incentive schemes facilitated by the Trust. Details of the Trust and its holdings are set out in Note 25 to the financial statements.

There have been no other changes in the interests of the Directors between 31 December 2007 and the date of this report.

No Director held any other interests in any Group companies.

APPROVAL

This report was approved by the Board of Directors on 25 March 2008 and signed on its behalf by:

Peter Kingston

Remuneration Committee Chairman

Independent Auditors' Report to the Shareholders of SOCO International plc

We have audited the Group and parent Company financial statements (the financial statements) of SOCO International plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated and parent Company balance sheets, the consolidated and parent Company cash flow statements, the consolidated and parent Company statements of recognised income and expense, the statement of accounting policies and the related Notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's and Chief Executive's Statement, the Review of Operations and the Financial Review that is cross referred from the Principal Activity and Enhanced Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- ▶ the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- ▶ the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 31 December 2007;
- ▶ the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- ▶ the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Chartered Accountants and
Registered Auditors
London
United Kingdom
25 March 2008

Consolidated Income Statement

for the year to 31 December 2007

	Notes	2007 \$000's	2006 \$000's
Revenue	5, 6	98,420	76,476
Cost of sales		(32,543)	(21,162)
Gross profit		65,877	55,314
Administrative expenses		(8,077)	(8,772)
Other operating expenses		(13)	(231)
Operating profit	6, 9	57,787	46,311
Investment revenue	5	6,326	9,292
Other gains and losses	7	246	690
Finance costs	8	(7,286)	(8,136)
Profit before tax	9	57,073	48,157
Tax	11	(24,759)	(19,094)
Profit for the year	9	32,314	29,063
Earnings per share (cents)	13		
Basic		45.8	41.3
Diluted		40.9	36.9

Balance Sheets

as at 31 December 2007

	Notes	Group		Company	
		2007 \$000's	2006 \$000's	2007 \$000's	2006 \$000's
Non-current assets					
Intangible assets	14	247,178	146,954	–	–
Property, plant and equipment	15	237,699	159,472	509	680
Investments	16	–	–	207,006	204,286
Financial asset	17	32,748	32,571	–	–
Deferred tax assets	18	119	1,530	–	–
		517,744	340,527	207,515	204,966
Current assets					
Inventories	19	11	88	–	–
Trade and other receivables	20	12,370	26,670	335	566
Tax receivables		1,819	2,299	164	177
Cash and cash equivalents		68,337	187,791	424	63
		82,537	216,848	923	806
Total assets	6	600,281	557,375	208,438	205,772
Current liabilities					
Trade and other payables	21	(38,151)	(35,029)	(16,548)	(22,161)
Tax payables		(114)	(134)	(75)	(68)
		(38,265)	(35,163)	(16,623)	(22,229)
Net current assets (liabilities)		44,272	181,685	(15,700)	(21,423)
Non-current liabilities					
Convertible bonds	22	(224,102)	(220,233)	–	–
Deferred tax liabilities	18	(1,308)	–	–	–
Long term provisions	23	(7,639)	(6,187)	–	–
		(233,049)	(226,420)	–	–
Total liabilities	6	(271,314)	(261,583)	(16,623)	(22,229)
Net assets		328,967	295,792	191,815	183,543
Equity					
Share capital	24	23,549	23,532	23,549	23,532
Share premium account	25	68,355	68,325	68,355	68,325
Other reserves	25	49,437	54,406	(25,774)	(25,839)
Retained earnings	25	187,626	149,529	125,685	117,525
Total equity	26	328,967	295,792	191,815	183,543

The financial statements were approved by the Board of Directors on 25 March 2008 and signed on its behalf by:

Rui De Sousa
Chairman

Roger Cagle
Director

Cash Flow Statements

for the year to 31 December 2007

	Notes	Group		Company	
		2007 \$000's	2006 \$000's	2007 \$000's	2006 \$000's
Net cash from (used in) operating activities	28	49,009	33,230	(12,506)	11,899
Investing activities					
Purchase of intangible assets		(107,294)	(82,148)	–	–
Purchase of property, plant and equipment		(71,296)	(32,191)	(14)	(30)
Purchase of own shares into treasury		–	(13,634)	–	(13,634)
Dividends received from subsidiary undertakings		–	–	12,877	12,935
Proceeds of prior period disposal	17	10,000	–	–	–
Net cash (used in) from investing activities		(168,590)	(127,973)	12,863	(729)
Financing activities					
Share-based payments		–	(11,372)	–	(11,372)
Proceeds on issue of convertible bonds		–	242,966	–	–
Proceeds on issue of ordinary share capital	24	47	–	47	–
Net cash from (used in) financing activities		47	231,594	47	(11,372)
Net (decrease) increase in cash and cash equivalents		(119,534)	136,851	404	(202)
Cash and cash equivalents at beginning of year		187,791	50,967	63	360
Effect of foreign exchange rate changes		80	(27)	(43)	(95)
Cash and cash equivalents at end of year		68,337	187,791	424	63

Statements of Recognised Income and Expense

for the year to 31 December 2007

	Notes	Group		Company	
		2007 \$000's	2006 \$000's	2007 \$000's	2006 \$000's
Profit for the year	12, 25	32,314	29,063	5,087	4,350
Transfer from other reserves	25	5,687	–	–	–
Unrealised currency translation differences	25	96	186	3,073	24,502
Total recognised income for the year		38,097	29,249	8,160	28,852

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

SOCO International plc is a company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is given on page 76. The nature of the Group's operations and its principal activities are set out in Note 6 and in the Review of Operations and Financial Review on pages 12 to 23.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost basis, except for the revaluation of certain financial instruments. The financial statements are presented in US dollars, which is the functional currency of each of the Company's subsidiary undertakings. The functional currency of the Company remains GB pounds although its financial statements are presented in US dollars. The principal accounting policies adopted are set out below.

(b) Adoption of new and revised accounting standards

In the current year the Group and Company have adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital. At the date of approval of these financial statements the Group has not applied the following IFRSs, International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations which are in issue but not yet effective:

- ▶ IFRS 8 Operating Segments
- ▶ IAS 23 (Revised) Borrowing Costs
- ▶ IFRIC 11 IFRS 2 Group and Treasury Share Transactions
- ▶ IFRIC 12 Service Concession Arrangements
- ▶ IFRIC 13 Customer Loyalty Programmes
- ▶ IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these IASs, IFRSs and IFRICs in future periods are not expected to have a material impact on the financial statements of the Group.

(c) Basis of consolidation

The Group financial statements consolidate the accounts of SOCO International plc and entities controlled by the Company (its subsidiary undertakings) drawn up to the balance sheet date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method whereby the assets, liabilities and contingent liabilities acquired and the consideration given are recognised in the Group accounts at their fair values as at the date of the acquisition.

(d) Investments

Except as stated below, non-current investments are shown at cost less provision for impairment.

(e) Interests in joint ventures

Jointly controlled entities are those for which the Group exercises joint control over the operating and financial policies. These investments are dealt with by proportionate consolidation whereby the consolidated financial statements include the appropriate share of these companies' assets, liabilities, income and expenses on a line by line basis.

Where a consolidated member of the Group participates in unincorporated joint ventures, that member accounts directly for its share of the jointly controlled assets, liabilities and related income and expenses which are then similarly included in the consolidated financial statements of the Group.

(f) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and no depreciation is charged.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(g) Revenue

Revenue represents the fair value of the Group's share of oil and gas sold during the year on an entitlement basis. To the extent revenue arises from test production during an evaluation programme, an amount is charged from evaluation costs to cost of sales so as to reflect a zero net margin.

Investment revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(h) Tangible and intangible non-current assets

Oil and gas exploration, evaluation and development expenditure

The Group uses the full cost method of accounting for exploration, evaluation and development expenditure, whereby all expenditures incurred in connection with the acquisition, exploration, evaluation and development of oil and gas assets, including directly attributable overheads, interest payable and exchange differences directly related to financing development projects, are capitalised in separate geographical cost pools.

Cost pools are established on the basis of geographical area having regard to the operational and financial organisation of the Group. Intangible acquisition, exploration and evaluation costs incurred in a geographical area where the Group has no established cost pool are initially capitalised as intangible non-current assets except where they fall outside the scope of IFRS 6 Exploration for and Evaluation of Mineral Resources whereby they are expensed as incurred subject to other guidance under IFRS. Tangible non-current assets used in acquisition, exploration and evaluation are classified with tangible non-current assets as property, plant and equipment. To the extent that such tangible assets are consumed in exploration and evaluation the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Upon successful conclusion of the appraisal programme and determination that commercial reserves exist, such costs are transferred to tangible non-current assets as property, plant and equipment. Exploration and evaluation costs carried forward are assessed for impairment as described below.

Proceeds from the disposal of oil and gas assets are credited against the relevant cost centre. Any overall surplus arising in a cost centre is credited to the income statement.

Depreciation and depletion

Depletion is provided on oil and gas assets in production using the unit of production method, based on proven and probable reserves, applied to the sum of the total capitalised exploration, evaluation and development costs, together with estimated future development costs at current prices. Oil and gas assets which have a similar economic life are aggregated for depreciation purposes.

Impairment of value

Where there has been a change in economic conditions or in the expected use of an asset that indicates a possible impairment in an asset, management tests the recoverability of the net book value of the asset by comparison with the estimated discounted future net cash flows based on management's expectations of future oil prices and future costs. Any identified impairment is charged to the income statement.

Intangible non-current assets are considered for impairment at least annually by reference to the indicators in IFRS 6. Where there is an indication of impairment of an exploration and evaluation asset which is within a geographic pool where the Group has tangible oil and gas assets with commercial reserves, the exploration asset is assessed for impairment together with all other cash generating units and related tangible and intangible assets in that geographic pool and any balance remaining after impairment is amortised over the proven and probable reserves of the pool. Where the exploration asset is in an area where the Group has no established pool, the exploration asset is tested for impairment separately and, where determined to be impaired, is written off.

Other tangible non-current assets

Other tangible non-current assets are stated at historical cost less accumulated depreciation. Depreciation is provided on a straight line basis at rates calculated to write off the cost of those assets, less residual value, over their expected useful lives.

Decommissioning

The decommissioning provision is calculated as the net present value of the Group's share of the expenditure which may be incurred at the end of the producing life of each field in the removal and decommissioning of the production, storage and transportation facilities currently in place. The cost of recognising the decommissioning provision is included as part of the cost of the relevant property, plant and equipment and is thus charged to the income statement on a unit of production basis in accordance with the Group's policy for depletion and depreciation of tangible non-current assets. Period charges for changes in the net present value of the decommissioning provision arising from discounting are included in finance costs.

Notes to the Consolidated Financial Statements *continued*

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(i) Changes in estimates

The effects of changes in estimates on the unit of production calculations are accounted for prospectively over the estimated remaining proven and probable reserves of each pool.

(j) Inventories

Inventories are stated at the lower of weighted average cost and net realisable value. Overlifts, which are recorded to accruals and deferred income, and underlifts, which are recorded to prepayments and accrued income, of crude oil are recorded at market value.

(k) Leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

(l) Share-based payments

In accordance with the transitional provisions, the Group has applied the requirements of IFRS 2 to all grants after 7 November 2002 that were unvested as of 1 January 2005. Under these requirements, equity-settled awards under share-based incentive plans are measured at fair value at the date of grant and expensed on a straight line basis over the performance period along with a corresponding increase in equity. Fair value is measured using an option pricing model taking into consideration management's best estimate of the expected life of the option and the estimated number of shares that will eventually vest.

(m) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available to recover the asset. Deferred tax is not recognised where an asset or liability is acquired in a transaction which is not a business combination for an amount which differs from its tax value.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(n) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group does not currently utilise derivative financial instruments.

Other than the convertible bonds there are no material financial assets and liabilities for which differences between carrying amounts and fair values are required to be disclosed. The classification of financial instruments as required by IFRS 7 is disclosed in Notes 17, 20, 21 and 22.

Financial asset at fair value through profit or loss

Where a financial instrument is classified as a financial asset at fair value through profit or loss it is initially recognised at fair value. At each balance sheet date the fair value is reviewed and any gain or loss arising is recognised in the income statement. Period credits for changes in the net present value of the financial asset arising from discounting are included in other gains and losses.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(n) Financial instruments continued

Trade payables

Trade payables are stated at their nominal value.

Convertible bonds

The net proceeds received from the issue of convertible bonds are split between a liability element and an equity component at the date of issue. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity and is not remeasured. The liability component is carried at amortised cost.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible bonds.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(o) Foreign currencies

The individual financial statements of each Group company are stated in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recorded at the rates of exchange prevailing at that date, or if appropriate, at the forward contract rate. Any resulting gains and losses are included in net profit or loss for the period.

For the purpose of presenting consolidated financial statements the results of entities denominated in currencies other than US dollars are translated at the average rate of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on retranslation at the closing rate of the opening net assets and results of entities denominated in currencies other than US dollars are dealt with through equity and transferred to the Group's retained earnings reserve.

(p) Pension costs

The contributions payable in the year in respect of pension costs for defined contribution schemes and other post-retirement benefits are charged to the income statement. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

3 FINANCIAL RISK MANAGEMENT

The Board reviews and agrees policies for managing financial risks that may affect the Group. In certain cases the Board delegates responsibility for such reviews and policy setting to the Audit Committee. The main financial risks affecting the Group are discussed below:

Credit risk

The Group's non-current financial asset that is subject to credit risk comprises a financial asset at fair value through profit or loss arising in respect of the Group's disposal of its Mongolia interest (see Note 17). The Group's and Company's other financial assets comprise investments, trade receivables and cash and cash equivalents. The Group seeks to minimise credit risk by only maintaining balances with creditworthy third parties including major multi-national oil companies subject to contractual terms in respect of trade receivables. The credit risk on liquid funds is limited as the Board only selects institutions with high credit-ratings assigned by international credit-rating agencies and endeavours to spread cash balances over more than one institution. The level of deposits held by different institutions is regularly reviewed.

Foreign currency risk

The Group primarily conducts and manages its business in US dollars. Cash balances in Group subsidiaries are usually held in US dollars, but smaller amounts may be held in GB pounds or local currencies to meet immediate operating or administrative expenses, or to comply with local currency regulations. From time to time the Group may take short term hedging positions to protect the value of any cash balances it holds in non-US dollar currencies. The impact of a 10% movement in foreign exchange rates on the Group's profit and net assets for the years ended 31 December 2007 and 2006 would not have been material.

Notes to the Consolidated Financial Statements *continued*

3 FINANCIAL RISK MANAGEMENT CONTINUED

Liquidity risk

The Group's cash requirements and balances are projected for the Group as a whole and for each country in which operations and capital expenditures are conducted. The Group meets these requirements through an appropriate mix of available funds, equity instruments and debt financing. The Group seeks to minimise the impact that any debt financings have on its balance sheet by negotiating borrowings in matching currencies (see Notes 22 and 29). The Group further mitigates liquidity risk by entering into arrangements with industry partners thereby sharing costs and risks, and by maintaining an insurance programme to minimise exposure to insurable losses.

Interest rate risk

The Group earns interest on its cash at bank and other short term highly liquid investments at a floating rate (see Note 28). Fixed rate interest is charged on the Group's convertible bonds (see Note 22). In addition the Group had a reserve-based revolving credit facility which was subject to a floating rate, however as at the balance sheet date no drawdown against this facility had been made (see Note 29). The fair value of the Group's non-current financial asset (see Note 17) is also dependent on the discount rate used. Management assess the Group's sensitivity to changes in interest rates. If interest rates had been 0.5% higher or lower and all other variables held constant, the Group's profit for the year ended, and its net assets at, 31 December 2007 would decrease or increase by \$1.2 million or \$1.3 million (2006 – \$1.0 million or \$1.1 million), respectively.

Commodity price risk

The Group's production is usually sold on "spot" or near term contracts, with prices fixed at the time of a transfer of custody or on the basis of a monthly average market price. However the Board may give consideration in certain circumstances to the appropriateness of entering into fixed price, long term marketing contracts. Although oil prices may fluctuate widely, it is the Group's policy not to hedge crude oil sales unless hedging is required to mitigate financial risks associated with debt financing of its assets or to meet its commitments. Over time, during periods when the Group sees an opportunity to lock in attractive oil prices, it may engage in limited price hedging.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt (see Note 22) cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 24 and 25.

4 CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES

(a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies described in Note 2, management has made judgements that may have a significant effect on the amounts recognised in the financial statements. These are discussed below:

Oil and gas assets

Note 2(h) describes the judgements necessary to implement the Group's policy with respect to the carrying value of intangible exploration and evaluation assets. Management considers these assets for impairment at least annually with reference to indicators in IFRS 6. Note 14 discloses the carrying value of intangible exploration and evaluation assets. Further, Note 2(h) describes the Group's policy regarding reclassification of intangible assets to tangible assets. Management considers the appropriateness of asset classification at least annually.

Financial asset

Note 2(n) describes the accounting policy with respect to financial assets at fair value through profit or loss. The key judgements that are used in calculating the fair value of the Group's financial asset arising on the disposal of its Mongolia interest are described in Note 17 and are reviewed at least annually. The only market risk assumption that has a significant impact on the fair value of this asset is the discount rate, as described in Note 3.

Convertible bonds

Note 2(n) sets out the Group's accounting policy on convertible bonds. Management assesses the fair value of the liability component at issue and reviews the appropriateness of the amortisation period at least annually. Note 2(h) describes the nature of the costs that the Group capitalises which include applicable borrowing costs that are directly attributable to qualifying assets as defined in IAS 23 Borrowing Costs (IAS 23). Management has considered the definition of qualifying assets in IAS 23 and has determined that the only expenditure that currently meets the definition is that related to the Group's interests in Vietnam. Consequently the interest associated with capital expenditure in Vietnam has been capitalised.

4 CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES CONTINUED

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Oil and gas reserves

Note 2(h) sets out the Group's accounting policy on depreciation and depletion. Proven and probable reserves are estimated using standard recognised evaluation techniques. The estimate is reviewed at least twice a year and is regularly reviewed by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Financial asset

Note 2(n) describes the accounting policy with respect to financial assets at fair value through profit or loss. The key sources of estimation uncertainty that impact the fair value of the Group's financial asset arising on the disposal of its Mongolia interest are described in Note 17 and are reviewed at least annually.

Decommissioning provision

The accounting policy for decommissioning is discussed in Note 2(h). The cost of decommissioning is estimated by reference to operators, where applicable, and internal engineers. Further details are provided in Note 23.

5 TOTAL REVENUE

An analysis of the Group's revenue is as follows:

	2007 \$000's	2006 \$000's
Oil sales (see Note 6)	98,420	76,476
Investment revenue	6,326	9,292
	104,746	85,768

6 SEGMENT INFORMATION

Geographical segments

Geographical segments form the basis on which the Group reports its primary segment information.

	Middle East ¹ \$000's	SE Asia \$000's	West Africa \$000's	Unallocated \$000's	2007 Group \$000's
Oil sales (see Note 5)	98,420	–	–	–	98,420
Operating profit	65,645	–	–	(7,858)	57,787
Assets	102,407	362,447	38,183	97,244	600,281
Liabilities	15,875	20,253	928	234,258	271,314
Capital additions	43,438	137,389	10,036	75	190,938
Depletion and depreciation	12,266	–	–	234	12,500

	Middle East ¹ \$000's	SE Asia \$000's	West Africa \$000's	Unallocated \$000's	2006 Group \$000's
Oil sales	76,476	–	–	–	76,476
Operating profit	55,113	–	–	(8,802)	46,311
Assets	64,872	226,184	30,768	235,551	557,375
Liabilities	8,384	10,605	12,398	230,196	261,583
Capital additions	35,888	100,790	(2,050)	28	134,656
Depletion and depreciation	9,318	–	–	208	9,526

¹ In February 2008, the Group announced the conditional disposal of its Middle East segment which comprises its Yemen interest (see Note 33).

Business segment

The Group has one principal business activity being oil and gas exploration and production. Revenue by destination does not materially differ from revenue by origin. There are no inter-segment sales.

Notes to the Consolidated Financial Statements continued

7 OTHER GAINS AND LOSSES

	2007 \$000's	2006 \$000's
Change in fair value of financial asset (see Note 17)	177	689
Exchange gain	69	1
	246	690

8 FINANCE COSTS

	2007 \$000's	2006 \$000's
Interest payable in respect of convertible bonds (see Note 22)	15,111	9,359
Other interest payable and similar fees (see Note 29)	207	354
Capitalised finance costs	(8,152)	(1,616)
Unwinding of discount on provisions (see Note 23)	120	39
	7,286	8,136

The amount of finance costs capitalised was determined by applying the weighted average rate of finance costs applicable to the borrowings of the Group of 6.55% (2006 – 6.55%) to the expenditures on the qualifying asset (see Note 4).

9 PROFIT FOR THE YEAR

Profit for the year is stated after charging fees payable to the Company's auditors:

	2007 \$000's	2006 \$000's
Audit of the Company's annual accounts	127	108
Audit of the Company's subsidiaries pursuant to legislation	38	33
Other services pursuant to legislation	75	65
Recruitment and remuneration services	104	59
Corporate finance services	–	87
Other services:		
Audit of the Company's subsidiaries, not required by legislation	28	25
Other	15	33
Total fees	387	410

The amounts payable to Deloitte & Touche LLP by the Group in respect of other services pursuant to legislation comprise \$75,000 relating to the Group's interim review (2006 – \$65,000).

Fees payable to Deloitte & Touche LLP for non-audit services to the Company are not required to be disclosed separately because the consolidated financial statements disclose such fees on a consolidated basis.

10 STAFF COSTS

The average monthly number of employees of the Group including Executive Directors was 14 (2006 – 13), of which 11 (2006 – 10) were administrative personnel and 3 (2006 – 3) were operations personnel. The average monthly number of employees directly contracted to the Company was 8 (2006 – 7) of which 7 (2006 – 6) were administrative personnel and 1 (2006 – 1) was operations personnel. Their aggregate remuneration comprised:

	Group		Company	
	2007 \$000's	2006 \$000's	2007 \$000's	2006 \$000's
Wages and salaries	5,556	5,484	1,466	1,321
Social security costs	2,183	1,640	167	141
Share-based payment expense (see Note 27)	834	560	63	27
Other pension costs under money purchase schemes	430	365	116	89
	9,003	8,049	1,812	1,578

A proportion of the Group's staff costs are capitalised in accordance with the Group's accounting policy.

11 TAX

	2007 \$000's	2006 \$000's
Current tax	22,040	18,033
Deferred tax (see Note 18)	2,719	1,061
	24,759	19,094

UK corporation tax is calculated at 30% (2006 – 30%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. During 2006 and 2007 both current and deferred taxation have arisen in overseas jurisdictions only.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2007 \$000's	2006 \$000's
Profit before tax	57,073	48,157
Profit before tax multiplied by standard rate of corporation tax in the UK of 30% (2006 – 30%)	17,122	14,447
Effects of:		
Expenses not expected to be utilised as a tax loss	2,779	2,151
Higher tax rates on overseas earnings	3,580	2,456
Adjustments to tax charge in respect of previous years	1,278	40
Tax charge for the year	24,759	19,094

The tax charge in future periods may also be affected by these factors. The Group's overseas tax rates are higher than those in the UK, primarily because the profits earned in Yemen are taxed at a rate of 35%.

12 PROFIT ATTRIBUTABLE TO SOCO INTERNATIONAL PLC

The profit for the financial year, inclusive of dividends received from subsidiary undertakings, dealt with in the accounts of the Company was \$5,087,000 (2006 – \$4,350,000). As provided by Section 230 of the Companies Act 1985, no income statement is presented in respect of the Company.

13 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2007 \$000's	2006 \$000's
Earnings	32,314	29,063
	Number of shares	
	2007	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	70,491,970	70,338,272
Effect of dilutive potential ordinary shares:		
Share options and warrants	6,405,279	6,021,356
Ordinary shares of the Company held by the Group (see Note 25)	2,193,280	2,300,800
Weighted average number of ordinary shares for the purpose of diluted earnings per share	79,090,529	78,660,428

At 31 December 2007 up to 6,238,000 (2006 – 6,238,000) potential ordinary shares in the Company that are underlying the Company's convertible bonds (see Note 22) and that may dilute earnings per share in the future have not been included in the calculation of diluted earnings per share because they are antidilutive for the years to 31 December 2006 and 2007.

Notes to the Consolidated Financial Statements continued

14 INTANGIBLE ASSETS

	Group \$000's
Exploration and evaluation expenditure	
As at 1 January 2006	151,213
Additions	98,740
Transfers to property, plant and equipment	(102,999)
As at 1 January 2007	146,954
Additions	100,224
As at 31 December 2007	247,178

Intangible assets comprise the Group's exploration and evaluation projects which are pending determination and include an amount of \$198.6 million (2006 – \$108.7 million) in respect of Vietnam Block 16-1.

15 PROPERTY, PLANT AND EQUIPMENT

	Group			Company
	Oil and gas properties \$000's	Other \$000's	Total \$000's	Other \$000's
Cost				
As at 1 January 2006	75,825	2,167	77,992	1,087
Additions	35,888	28	35,916	30
Disposals	–	(23)	(23)	–
Transfers from intangible assets	103,117	(118)	102,999	–
Foreign exchange	–	156	156	156
As at 1 January 2007	214,830	2,210	217,040	1,273
Additions	90,639	75	90,714	14
Foreign exchange	–	22	22	22
As at 31 December 2007	305,469	2,307	307,776	1,309
Depreciation				
As at 1 January 2006	46,791	1,213	48,004	350
Charge for the year	9,318	208	9,526	182
Disposals	–	(23)	(23)	–
Foreign exchange	–	61	61	61
As at 1 January 2007	56,109	1,459	57,568	593
Charge for the year	12,266	234	12,500	198
Foreign exchange	–	9	9	9
As at 31 December 2007	68,375	1,702	70,077	800
Carrying amount				
As at 31 December 2007	237,094	605	237,699	509
As at 31 December 2006	158,721	751	159,472	680

Other fixed assets comprise plant and machinery, computer equipment and fixtures and fittings.

16 FIXED ASSET INVESTMENTS

Principal Group investments

The Company and the Group had investments in the following subsidiary undertakings as at 31 December 2007 which principally affected the profits or net assets of the Group, all of which are indirectly held.

	Country of incorporation	Country of operation	Principal activity	Percentage holding
SOCO Yemen Pty Limited ¹	Australia	Yemen	Investment holding	100
OPECO Vietnam Limited	Cook Islands	Vietnam	Oil and gas exploration	100
SOCO Exploration (Thailand) Co. Ltd	Thailand	Thailand	Oil and gas exploration	99.9
SOCO Congo Limited ²	Cayman Islands	Congo (Brazzaville)	Investment holding	85
SOCO Vietnam Ltd ³	Cayman Islands	Vietnam	Oil and gas exploration	80

¹ The Yemen interest, which is in production, is held through Comeco Petroleum, Inc. (Comeco), a jointly controlled entity, in which SOCO Yemen Pty Limited held 58.75% of the ordinary share capital at 31 December 2007 (2006 – 58.75%). As at 31 December 2007, Comeco had non-current assets of \$147.7 million (2006 – \$97.0 million), current assets of \$28.8 million (2006 – \$13.2 million), current liabilities of \$13.7 million (2006 – \$4.0 million), non-current liabilities of \$15.2 million (2006 – \$10.5 million) and for the year to 31 December 2007 Comeco had revenue of \$167.5 million (2006 – \$130.2 million), operating and administration expenses of \$55.7 million (2006 – \$36.1 million) and a tax expense of \$42.1 million (2006 – \$32.2 million).

² SOCO Congo Limited (SOCO Congo) owns 100% of SOCO Exploration and Production Congo SA which holds the Group's working interest in its Congo (Brazzaville) asset. The Group funds 100% of SOCO Congo and is entitled to receive 100% of the distributions made by SOCO Congo until it has recovered such funding including a rate of return. The 15% minority interest is held by Quantic Limited.

³ The remaining 20% minority interest is funded by the Group. The Group is entitled to receive 100% of the distributions made by SOCO Vietnam until it has recovered its funding of the minority interest plus accrued interest from the minority interest's pro rata portion of those distributions.

The Company's investments in subsidiary undertakings include contributions to the SOCO Employee Benefit Trust (see Note 25) and are otherwise held in the form of share capital.

17 FINANCIAL ASSET

In 2005, the Group completed a transaction whereby it sold its 100% owned subsidiaries SOCO Tamtsag Mongolia, LLC (SOTAMO) and SOCO Mongolia Ltd (SOCO Mongolia) to Daqing Oilfield Limited Company (Daqing). Together SOTAMO and SOCO Mongolia held the Group's Mongolia interest. Under the terms of the transaction the Group will receive total consideration of up to \$92.7 million comprising cash consideration payable of \$40.0 million paid in two tranches plus a subsequent payment amount. The first tranche of cash consideration of \$30.0 million was paid, less applicable settlement adjustments of \$0.4 million, in 2005 upon completion. The second tranche of \$10.0 million was paid in February 2007 upon the satisfaction of the condition that no material undisclosed additional liabilities were discovered. The remaining consideration is payable, once cumulative production reaches 27.8 million barrels of oil, at the rate of 20% of the average monthly posted marker price for Daqing crude multiplied by the aggregate production for that month, up to a total of \$52.7 million.

The subsequent payment amount is included in non-current assets as a financial asset at fair value through profit or loss. The timescale for the production of crude oil in excess of 27.8 million barrels and the price of Daqing marker crude oil are factors that cannot accurately be predicted. However, based upon the Directors' current estimates of proven and probable reserves from the Mongolia interests and the development scenarios as discussed with the buyer, the Directors believe that the full subsequent payment amount will be payable. The fair value of the subsequent payment amount was determined using a valuation technique as there is no active market against which direct comparisons can be made. Assumptions made in calculating the fair value include the factors mentioned above, risked as appropriate, with the resultant cash flows discounted at a commercial risk free interest rate. The fair value of the financial asset at the date of completion of the sale was \$31.5 million. As at 31 December 2007 the fair value was \$32.7 million (2006 – \$32.6 million) after accounting for the change in fair value (see Note 7).

Notes to the Consolidated Financial Statements *continued*

18 DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting period:

	Foreign tax credits \$000's	(Accelerated) decelerated tax depreciation \$000's	Tax losses \$000's	Other \$000's	Total \$000's
As at 1 January 2006	–	1,860	199	532	2,591
Credit (charge) to income	1,172	(1,691)	(80)	(462)	(1,061)
As at 1 January 2007	1,172	169	119	70	1,530
Credit (charge) to income (see Note 11)	(1,172)	(1,664)	–	117	(2,719)
As at 31 December 2007	–	(1,495)	119	187	(1,189)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset):

	2007 \$000's	2006 \$000's
Deferred tax liability	(1,308)	–
Deferred tax asset	119	1,530
	(1,189)	1,530

The deferred tax asset principally arises in respect of fixed asset timing differences and unutilised tax losses. The deferred tax asset is recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which the deferred taxation asset can be recovered in future periods based upon economic models of each operation. There is no unprovided deferred taxation at either balance sheet date except for an unprovided deferred tax asset arising in respect of foreign tax credits of the Company that are not expected to be utilised in the amount of £5.9 million, being \$11.7 million (2006 – £5.1 million, being \$10.0 million).

19 INVENTORIES

Inventories comprise crude oil and condensate.

20 OTHER FINANCIAL ASSETS

	Group		Company	
	2007 \$000's	2006 \$000's	2007 \$000's	2006 \$000's
Amounts falling due within one year				
Trade receivables	8,590	5,153	–	–
Other receivables	2,244	15,110	29	20
Prepayments and accrued income	1,536	6,407	306	546
	12,370	26,670	335	566

There are no amounts overdue or allowances for doubtful debts in respect of trade or other receivables. There is no material difference between the carrying amount of trade and other receivables and their fair value. The above financial assets are held at amortised cost. Other receivables in respect of the Group includes \$nil (2006 – \$10.7 million) relating to the sale of the Group's Mongolia interest (see Note 17).

21 OTHER FINANCIAL LIABILITIES

	Group		Company	
	2007 \$000's	2006 \$000's	2007 \$000's	2006 \$000's
Trade payables	25,623	22,429	–	–
Amounts due to Group undertakings	–	–	15,353	20,744
Other payables	563	610	308	234
Accruals and deferred income	11,965	11,990	887	1,183
	38,151	35,029	16,548	22,161

There is no material difference between the carrying value of trade payables and their fair value. Accruals and deferred income includes interest payable of \$1.4 million (2006 – \$1.4 million) in respect of convertible bonds (see Note 22). The above financial liabilities are held at amortised cost and are not discounted as the impact would not be material.

22 CONVERTIBLE BONDS

In May 2006, the Group issued bonds at a par value of \$250 million which will be convertible into ordinary shares of the Company at any time from June 2006 until six days before their maturity date of 16 May 2013. At the initial conversion price of £21.847 per share there are 6,238,000 ordinary shares of the Company underlying the bonds. If the bonds have not been previously purchased and cancelled, redeemed or converted, they will be redeemed at par value on 16 May 2013. Interest of 4.5% per annum will be paid semi-annually up to that date.

	2007 \$000's	2006 \$000's
Liability component at 1 January	221,663	–
Nominal value of convertible bonds issued net of issue costs	–	242,966
Equity component (see Note 25)	–	(25,037)
Interest charged	15,111	9,359
Interest paid	(11,250)	(5,625)
Total liability component as at 31 December	225,524	221,663
Reported in:		
Interest payable in current liabilities (see Note 21)	1,422	1,430
Non-current liabilities	224,102	220,233
Total liability component as at 31 December	225,524	221,663

The interest charged for the year is calculated by applying an effective interest rate of 6.55% (2006 – 6.55%) to the liability component for the period since the bonds were issued. There is no material difference between the carrying amount of the liability component of the convertible bonds, which is carried at amortised cost, and their fair value. This fair value is calculated by discounting the future cash flows at the market rate.

The Group's remaining contractual liability, based on undiscounted cash flows at the earliest date on which the Group is required to pay and assuming the bonds are not purchased and cancelled, redeemed or converted prior to 16 May 2013, is as follows:

	2007 \$000's	2006 \$000's
Within one year	11,250	11,250
Within two to five years	45,000	45,000
More than five years	5,625	16,875
Total as at 31 December	61,875	73,125

Notes to the Consolidated Financial Statements continued

23 LONG-TERM PROVISIONS

	Group \$000's
Decommissioning	
As at 1 January 2007	6,187
New provisions and changes in estimates	1,332
Unwinding of discount (see Note 8)	120
As at 31 December 2007	7,639

The provision for decommissioning is based on the net present value of the Group's share of the expenditure which may be incurred at the end of the producing life of each field (currently estimated to be 8 years) in the removal and decommissioning of the facilities currently in place.

24 SHARE CAPITAL

	2007 \$000's	2006 \$000's
Issued and fully-paid		
72,819,067 ordinary shares of £0.20 each (2006 – 72,777,115)	23,549	23,532

As at 31 December 2007 authorised share capital comprised 125 million (2006 – 125 million) ordinary shares of £0.20 each with a total nominal value of £25 million (2006 – £25 million). The Company issued 41,952 new ordinary shares of £0.20 each during 2007 (2006 – 144,176) upon the exercise of certain share options and warrants at a weighted average exercise price per share of £0.56 (2006 – £0.59). As at 31 December 2007 there were 2,784,655 (2006 – 2,825,307) warrants to subscribe for the same number of ordinary shares of £0.20 each, which are exercisable through 31 July 2010 at a weighted average subscription price per share of £0.59. Details of outstanding share options are set out in Note 27.

25 RESERVES

	Group			
	Share premium account \$000's	Other reserves \$000's	Retained earnings \$000's	Total \$000's
As at 1 January 2006	68,221	54,259	120,280	242,760
New shares issued	104	–	–	104
Treasury shares purchased	–	(13,634)	–	(13,634)
Share-based payments	–	(10,969)	–	(10,969)
Equity component of bonds issue	–	25,037	–	25,037
Unrealised currency translation differences	–	(287)	186	(101)
Retained profit for the year	–	–	29,063	29,063
As at 1 January 2007	68,325	54,406	149,529	272,260
New shares issued (see Note 24)	30	–	–	30
Share-based payments (see Note 27)	–	834	–	834
Transfer relating to share-based payments (see Note 27)	–	(833)	833	–
Transfer relating to convertible bonds	–	(4,854)	4,854	–
Unrealised currency translation differences	–	(116)	96	(20)
Retained profit for the year	–	–	32,314	32,314
As at 31 December 2007	68,355	49,437	187,626	305,418

25 RESERVES CONTINUED

	Company			
	Share premium account \$000's	Other reserves \$000's	Retained earnings \$000's	Total \$000's
As at 1 January 2006	68,221	(658)	88,673	156,236
New shares issued	104	–	–	104
Treasury shares purchased	–	(13,634)	–	(13,634)
Share-based payments	–	(11,502)	–	(11,502)
Unrealised currency translation differences	–	(45)	24,502	24,457
Retained profit for the year	–	–	4,350	4,350
As at 1 January 2007	68,325	(25,839)	117,525	160,011
New shares issued (see Note 24)	30	–	–	30
Share-based payments (see Note 27)	–	63	–	63
Unrealised currency translation differences	–	2	3,073	3,075
Retained profit for the year (see Note 12)	–	–	5,087	5,087
As at 31 December 2007	68,355	(25,774)	125,685	168,266

The Group's other reserves include reserves arising in respect of merger relief, upon the purchase of the Company's own ordinary shares (Shares) held in treasury and held by the SOCO Employee Benefit Trust (Trust) and in respect of the unrealised equity component of the convertible bonds. During 2006 other reserves were reduced by share-based payments comprising the cash settlement of tax liabilities associated with the settlement of certain share options of \$11.4 million offset by the expense recognised in respect of the incentive schemes of \$560,000 (see Note 27).

The number of treasury Shares held by the Group and the number of Shares held by the Trust at 31 December 2007 was 27,500 (2006 – 27,500) and 2,165,780 (2006 – 2,273,300) after using 107,520 Shares for the exercise of certain long term investment plan awards, respectively. The market price of the Shares at 31 December 2007 was £22.00 (2006 – £13.82). Associated with the convertible bonds issue the Trust entered into a Global Master Securities Lending Agreement (GMSLA) with Merrill Lynch International. As at 31 December 2007 1,000,000 of the Shares held by the Trust were lent under the GMSLA (2006 – 1,375,000). The Shares subject to the GMSLA have continued to be recognised as the Trust retains all the risks and rewards of ownership.

The Trust, a discretionary trust, was established to facilitate the administration of long term incentive awards for senior management of the Group, details of which are set out in Note 27 and in the Directors' Remuneration Report on pages 42 to 49. The trustees purchase Shares in the open market which are recognised by the Company within investments and classified as other reserves by the Group as described above. When award conditions are met an unconditional transfer of Shares is made out of the Trust to plan participants. The Group has an obligation to make regular contributions to the Trust to enable it to meet its financing costs. Rights to dividends on the Shares held by the Trust have been waived by the trustees.

Notes to the Consolidated Financial Statements *continued*

26 RECONCILIATION OF MOVEMENTS IN GROUP TOTAL EQUITY

	2007 \$000's	2006 \$000's
As at 1 January	295,792	266,239
New shares issued (see Note 24)	47	157
Treasury shares purchased	–	(13,634)
Share-based payments (see Note 25)	834	(10,969)
Equity component of bonds issue	–	25,037
Unrealised currency translation differences	(20)	(101)
Retained profit for the year	32,314	29,063
As at 31 December	328,967	295,792

27 INCENTIVE PLANS

Details of the Group's employee incentive schemes are set out below. Additional information regarding the schemes is included in the Directors' Remuneration Report on pages 42 to 49. The Group recognised total expenses of \$834,000 (2006 – \$560,000) in respect of the schemes during the year, a proportion of which was capitalised in accordance with the Group's accounting policies. An amount of \$833,000 (2006 – nil) was transferred between other reserves and retained earnings upon the exercise or lapse of certain awards (see Note 25).

Awards administered under the SOCO Employee Benefit Trust (Trust)

The Company operates a long term incentive plan (LTIP) for senior employees of the Group. Awards vest over a period of three years, subject to performance criteria which have been set with reference to the Company's total shareholder return (TSR) relative to a range of comparator companies. Consideration may also be given to assessment as to whether the TSR performance is consistent with underlying performance. Awards are normally forfeited if the employee leaves the Group before the award vests. Certain additional awards are outstanding and exercisable which were granted prior to the introduction of the LTIP. Awards normally expire at the end of 10 years following the date of grant, subject to the requirement to exercise certain awards prior to 15 March of the year following vesting.

Awards would normally be equity-settled through a transfer at nil consideration of the Company's own ordinary shares (Shares) held by the Trust (see Note 25). The Company has no legal or constructive obligation to repurchase or settle awards in cash. At the beginning of the period 1,700,640 (2006 – 1,736,220) awards were outstanding. During the period 85,200 (2006 – 125,700) awards were granted, 107,520 awards were exercised (2006 – nil) and nil (2006 – 161,280) awards lapsed. The market price and the estimated fair value of awards at date of grant were £21.110 (2006 – £14.400) and £6.092 (2006 – £4.153), respectively. Of the 1,678,320 (2006 – 1,700,640) awards outstanding at the end of the period, 1,300,420 (2006 – 1,161,800) were exercisable. Awards outstanding at the end of the year have a weighted average remaining contractual life of 5.15 (2006 – 6.01) years.

The fair value of awards at date of grant has been estimated using a binomial option pricing model, based on the market price at date of grant set out above and a nil exercise price. The future vesting proportion of 28.9% (2006 – 28.9%) has been estimated by calculating the expected probability of the Company's TSR ranking relative to its comparators based on modelling each company's projected future share price growth.

Share options

The Company operated a discretionary share option scheme for key employees of the Group which expired in April 2007 without prejudice to the subsisting rights of participants. Options are exercisable at a price equal to the average quoted market price of the Company's Shares on the date of grant. The vesting period is three years, subject to performance criteria based on the Company's TSR relative to a range of comparator companies. Unexercised options expire at the end of a seven or 10 year period, in accordance with the plan rules. Options are normally forfeited if the employee leaves the Group before the options vest. Additional share options are outstanding and exercisable that were granted under a previous plan. Options would normally be equity-settled through newly issued Shares although in 2006 the Board decided that it was in the best interest of the Company to settle the exercise of 570,911 options, being the number of Shares that would otherwise have been sold in the market, by settlement of the option exercise price and cash settlement of the participants' tax liabilities of \$1.6 million and \$11.4 million respectively. The Company has no legal or constructive obligation to repurchase or settle options in cash. Details of options outstanding during the year are as follows:

27 INCENTIVE PLANS CONTINUED

	No. of share options	2007 Weighted average exercise price £	No. of share options	2006 Weighted average exercise price £
As at 1 January	3,894,670	1.101	5,290,257	0.835
Granted	–	–	50,000	14.400
Exercised	(1,300)	0.770	(1,445,587)	0.590
As at 31 December	3,893,370	1.101	3,894,670	1.101
Exercisable as at 31 December	3,843,370	0.928	3,464,670	0.750

The weighted average market price at the date of exercise during the year was £14.450 (2006 – £12.320). Options outstanding at the end of the year have a weighted average remaining contractual life of 0.63 (2006 – 1.52) years.

28 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Group		Company	
	2007 \$000's	2006 \$000's	2007 \$000's	2006 \$000's
Operating profit (loss)	57,787	46,311	(7,780)	(8,598)
Share-based payments	834	560	834	560
Depletion and depreciation	12,500	9,526	198	182
Operating cash flows before movements in working capital	71,121	56,397	(6,748)	(7,856)
Decrease in inventories	77	221	–	–
(Increase) decrease in receivables	(3,638)	(1,395)	262	(321)
Increase (decrease) in payables	4,310	(2,269)	(6,011)	20,055
Cash generated by (used in) operations	71,870	52,954	(12,497)	11,878
Interest received	10,203	4,944	10	38
Interest paid	(11,465)	(5,925)	(19)	(17)
Income taxes paid	(21,599)	(18,743)	–	–
Net cash from (used in) operating activities	49,009	33,230	(12,506)	11,899

Cash and cash equivalents (which are presented as a single class of asset on the balance sheet) comprise cash at bank and other short term highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value.

29 FINANCING FACILITIES

In 2005, SOCO agreed a credit facility with the International Finance Corporation (IFC), the private sector arm of the World Bank. The \$45 million reserve-based, revolving credit facility (the IFC Facility) had a seven year term. Following the issue of the convertible bonds (see Note 22) the whole IFC Facility became a standby loan and was not immediately available. Standby fees paid are included under finance costs (see Note 8).

In March 2008, the Company entered into an unsecured revolving term loan facility of \$50 million with BNP Paribas (the BNP Facility). The BNP Facility is available for 12 months for use in the Group's Vietnam developments and, as at the date of this report, no drawdown has been made. Accordingly, SOCO agreed to terminate the IFC Facility. No drawdowns have been made against the IFC Facility.

Notes to the Consolidated Financial Statements *continued*

30 OPERATING LEASE ARRANGEMENTS

	2007 \$000's	2006 \$000's
Minimum lease payments under operating leases recognised in income for the year	468	432

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

	2007 \$000's	2006 \$000's
Within one year	413	505
In two to five years	–	381
	413	886

Operating lease payments mainly represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of eight years with break clauses every two years and rentals fixed for an average of four years.

31 CAPITAL COMMITMENTS

At 31 December 2007 the Group had exploration licence commitments not accrued of approximately \$14.7 million (2006 – \$8.4 million).

32 RELATED PARTY TRANSACTIONS

During the year, Group undertakings rendered services to the Company in the amount of \$1.4 million (2006 – \$2.3 million). There were no balances outstanding with Group undertakings as at 31 December 2007 except as disclosed in Note 21. Transactions between the Company and its subsidiaries have been eliminated on consolidation.

Transactions with the Directors of the Company are disclosed in the Directors' Remuneration Report on pages 42 to 49.

33 DISPOSAL OF YEMEN INTEREST

In February 2008, the Company entered into a conditional sale and purchase agreement (Agreement) for the sale of its wholly owned subsidiary SOCO Yemen Pty Limited (SOCO Yemen), the entity that holds the Company's interest in the East Shabwa Development Area (ESDA) in Yemen, to Sinochem Petroleum Limited (Sinochem) for an enterprise value of \$465.0 million, subject to certain financial adjustments (the Disposal). The consideration for the Disposal is payable in cash on completion.

SOCO Yemen holds an indirect interest of 16.785% in the ESDA of Yemen through its 58.75% equity interest in Comeco Petroleum, Inc. (Comeco). Comeco, in turn, has a 28.57% interest in the ESDA. The ESDA joint venture is operated by Total E&P Yemen under a production sharing agreement with the government of Yemen. The Group's interest in the ESDA in Yemen is the only component of the Middle East segment disclosed in Note 6.

Completion of the Disposal is subject to, amongst other things, various regulatory approvals (Regulatory Approvals) including the approval of the National Development and Reform Commission of the People's Republic of China. Additionally, due to the size of the transaction, the Disposal is conditional upon the approval of SOCO shareholders at an extraordinary general meeting (EGM) of the Company. Sinochem also has the right to terminate the Agreement on or prior to 28 March 2008 in the event that Sinochem has not by such date received such consents and approvals (other than the Regulatory Approvals) as it requires in relation to the Disposal. In the event that Sinochem terminates the Agreement in accordance with that right, Sinochem has agreed that it will pay to SOCO a fee of \$3.0 million. The Disposal is expected to complete early in the second quarter of 2008.

Five Year Summary

	IFRS				UK GAAP ³
	Year to 31 Dec 2007 \$000's	Year to 31 Dec 2006 \$000's	Year to 31 Dec 2005 \$000's	Year to 31 Dec 2004 \$000's	(Restated) ² Year to 31 Dec 2003 £000's
CONSOLIDATED INCOME STATEMENT					
Oil and gas revenues – continuing operations	98,420	76,476	57,160	29,386	28,413
Operating profit – continuing operations	57,787	46,311	31,264	14,210	9,914
Operating profit – discontinued operations ¹	–	–	–	9,261	4,865
Profit for the year	32,314	29,063	20,477	29,571	9,354
	2007 \$000's	2006 \$000's	2005 \$000's	2004 \$000's	(Restated) ² 2003 £000's
CONSOLIDATED BALANCE SHEET					
Non-current assets	517,744	340,527	225,808	180,381	181,308
Net current assets	44,272	181,685	43,021	70,003	52,119
Non-current liabilities	(233,049)	(226,420)	(2,590)	(3,197)	(5,870)
Net assets	328,967	295,792	266,239	247,187	227,557
Share capital	23,549	23,532	23,479	23,348	23,241
Share premium	68,355	68,325	68,221	67,877	67,323
Other reserves	49,437	54,406	54,259	53,502	54,045
Retained earnings	187,626	149,529	120,280	102,460	82,948
Total equity	328,967	295,792	266,239	247,187	227,557
	Year to 31 Dec 2007 \$000's	Year to 31 Dec 2006 \$000's	Year to 31 Dec 2005 \$000's	Year to 31 Dec 2004 \$000's	Year to 31 Dec 2003 £000's
CONSOLIDATED CASH FLOW STATEMENT					
Net cash from operating activities	49,009	33,230	30,536	19,157	27,341
Capital expenditure	178,590	114,339	76,175	27,583	27,767
	Year to 31 Dec 2007	Year to 31 Dec 2006	Year to 31 Dec 2005	Year to 31 Dec 2004	Year to 31 Dec 2003
FINANCIAL AND OPERATING KEY PERFORMANCE INDICATORS					
Realised oil price per barrel (\$) ⁴	70.69	62.73	50.28	37.18	27.40
Operating cost per barrel (\$) ⁵	6.93	5.91	4.55	6.70	6.76
DD&A per barrel (\$) ⁶	5.32	3.70	3.40	3.20	3.78
Basic earnings per share (cents)	45.8	41.3	29.3	42.4	13.5
Diluted earnings per share (cents)	40.9	36.9	25.8	37.5	11.8
Total shareholder return (%) ⁷	59.2	75.8	102.6	41.3	(29.9)
Production (barrels of oil per day) ⁸	6,316	6,766	5,684	5,533	5,409
Total proven and probable reserve additions (mmbœ) ⁹	2.6	41.8	100.6	6.0	9.9
Proven and probable reserves (mmbœ) ⁹	160.9	160.6	133.2	90.7	92.5

¹ Discontinued operations includes the results of all discontinued operations throughout the five years shown.

² During 2004, the Group adopted UITF Abstract 38 "Accounting for ESOP Trusts" and related amendments to UITF Abstract 17 (revised 2003) "Employee Share Schemes", which constituted a change in accounting policy for the way the Group presents and accounts for own shares. Prior year figures were restated to reflect the new policy.

³ The amounts disclosed for 2003 are stated on the basis of UK GAAP and in GB pounds because it is not practicable to restate amounts for periods prior to the date of transition to IFRS.

⁴ The realised oil price per barrel is the average proceeds received for each barrel of oil sold in the period.

⁵ Operating cost per barrel is the average cost incurred to produce a barrel of oil which exclude lifting imbalances and inventory effects.

⁶ DD&A per barrel includes depreciation, depletion and decommissioning costs for the period calculated over barrels of oil produced.

⁷ The total shareholder return is the percentage annual return to the Company's shareholders.

⁸ Average barrels of oil produced per day net to the Group's working interest.

⁹ Reserves are net to the Group's working interest expressed in millions of barrels of oil equivalent (see Reserves Statistics on page 72).

Reserve Statistics

Unaudited, net working interest (mmboe)

NET PROVEN OIL AND GAS RESERVES

	Total	Thailand	Vietnam ¹	Congo ¹	Yemen ²
Reserves as at 31 December 2006	77.1	5.0	48.6	4.8	18.7
Changes in the year					
Additions	–	–	–	–	–
Revision to previous estimates	3.2	–	–	–	3.2
Purchase of reserves	–	–	–	–	–
Change of interest	–	–	–	–	–
Sale of reserves	–	–	–	–	–
Production	(2.3)	–	–	–	(2.3)
Reserves as at 31 December 2007	78.0	5.0	48.6	4.8	19.6

NET PROVEN AND PROBABLE OIL AND GAS RESERVES

	Total	Thailand	Vietnam ¹	Congo ¹	Yemen ²
Reserves as at 31 December 2006	160.6	18.4	100.7	11.9	29.6
Changes in the year					
Additions	–	–	–	–	–
Revision to previous estimates	2.6	–	–	–	2.6
Purchase of reserves	–	–	–	–	–
Change of interest	–	–	–	–	–
Sale of reserves	–	–	–	–	–
Production	(2.3)	–	–	–	(2.3)
Reserves as at 31 December 2007	160.9	18.4	100.7	11.9	29.9

NET PROVEN AND PROBABLE OIL AND GAS RESERVES YEARLY COMPARISON

	2007	2006	2005	2004	2003
Reserves as at 1 January	160.6	133.2	90.7	92.5	75.4
Changes in the year					
Additions	–	–	68.3	–	–
Revision to previous estimates	2.6	38.8	8.5	6.0	9.9
Purchase of reserves	–	3.0	23.8	–	–
Change of interest	–	(11.9)	–	–	9.2
Sale of reserves	–	–	(56.0)	(5.8)	–
Production	(2.3)	(2.5)	(2.1)	(2.0)	(2.0)
Reserves as at 31 December	160.9	160.6	133.2	90.7	92.5

Note: mmboe denotes millions of barrels oil equivalent.

¹ Reserves are shown before deductions for minority interests which are funded by the Group. The Group is entitled to receive 100% of the cash flows until it has recovered its funding of the minority interest plus accrued interest from the minority interests pro rata portion of those cash flows.

² The Group provides for depletion and depreciation on its Yemen reserves on an entitlement basis. On an entitlement basis as at 31 December 2007 proven reserves were 8.2 mmboe (2006 – 7.3 mmboe) and proven and probable reserves were 10.7 mmboe (2006 – 10.1 mmboe).

Notice of Meeting

Notice is hereby given that the Annual General Meeting of SOCO International plc will be held at the offices of Ashurst, Broadwalk House, 5 Appold Street, London EC2A 2HA on 24 June 2008 at 10.00am.

AGENDA

To consider and, if thought fit, approve the following Ordinary Resolutions numbered 1 to 12:

- 1 To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2007;
- 2 To approve the Directors' Remuneration Report included in the Annual Report and Accounts for the year ended 31 December 2007;
- 3 To reappoint Peter E Kingston, who is Chairman of the Audit and Remuneration Committees, as a Director;
- 4 To reappoint John C Norton, who is a member of the Audit and Nominations Committees, as a Director;
- 5 To reappoint John C Snyder, who is a member of the Nominations Committee, as a Director;
- 6 To reappoint Olivier M G Barbaroux, who is a member of the Remuneration and Nominations Committees, as a Director;
- 7 To reappoint Ettore P M Contini as a Director;
- 8 To reappoint Robert M Cathery as a Director;
- 9 To reappoint Martin J D Roberts, who is a member of the Audit and Remuneration Committees, as a Director;
- 10 To reappoint Deloitte & Touche LLP as auditors and authorise the Directors to fix their remuneration;
- 11 To increase the maximum aggregate annual sum payable to Directors by way of fees for their services as Directors in terms of Article 96.1 of the Company's Articles of Association to £650,000;
- 12 That the Directors be and they are hereby generally and unconditionally empowered, in place of all existing authorities under Section 80 of the Companies Act 1985, to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £4,858,191 provided that this authority shall expire on 23 June 2013 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
- 13 To consider and, if thought fit, to approve the following Special Resolution:
That subject to the passing of the previous resolution the Directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (within the meaning of Section 94(2) of the Companies Act 1985) for cash, and to sell treasury shares for cash (within the meaning of Section 162D of the Companies Act 1985), as if Section 89(1) of the Companies Act 1985 did not apply to such allotment, provided that this authority shall:
 - (a) expire on 23 June 2013 save that the Directors may allot equity securities and sell treasury shares for cash under this authority after the expiry thereof pursuant to any offer or agreement made by the Company on or before such expiry date pursuant to this authority as if such authority had not expired; and
 - (b) be limited to the allotment of equity securities and the sale of treasury shares for cash:
 - (i) in connection with a rights issue or any other pre-emptive offer concerning equity securities in the Company where it is, in the opinion of the Directors, necessary or expedient to allot equity securities otherwise than in accordance with Section 89 of the Companies Act 1985 by reason of the rights attached to any shares or securities of the Company or in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or stock exchange in any territory; and
 - (ii) otherwise than pursuant to sub-paragraph (i), up to an aggregate nominal value not exceeding £728,729.

Notice of Meeting continued

- 14 To consider and, if thought fit, to approve the following Special Resolution:
That the Company is hereby generally and unconditionally authorised for the purposes of Section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of Section 163 of the Companies Act 1985) of ordinary shares of £0.20 each in the capital of the Company (Ordinary Shares) with effect from the conclusion of this meeting provided that:
- (a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 7,287,000; and
 - (b) the minimum price which may be paid for each Ordinary Share is £0.20 (exclusive of expenses); and
 - (c) the maximum price (inclusive of expenses) which may be paid for each such Ordinary Share is an amount equal to 105% of the average of the middle market quotations as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such Ordinary Share is purchased; and
 - (d) the Company may make a contract to purchase its Ordinary Shares under this authority prior to the expiry thereof, which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its Ordinary Shares pursuant to any such contract; and
 - (e) This authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, 23 December 2009.
- 15 To consider and, if thought fit, to approve the following Special Resolution:
That, with effect from 1 October 2008, the Company's Articles of Association be amended by inserting the following new article 108.7:
- (a) For the purposes of Section 175 of the Companies Act 2006 (2006 Act), the Directors may authorise any matter proposed to them in accordance with these Articles which would, if not so authorised, constitute or give rise to a breach of duty by a Director under that Section.
 - (b) Authorisation of a matter under sub paragraph (a) of this paragraph of this Article shall be effective only if:
 - (i) the matter in question shall have been proposed by any person for consideration at a meeting of the Directors, in accordance with the Directors' procedures, if any, for the time being relating to matters for consideration by the Directors or in such other manner as the Directors may approve;
 - (ii) any requirement as to the quorum at the meeting of the Directors at which the matter is considered is met without counting the Director in question and any other interested Director (together, the Interested Directors); and
 - (iii) the matter was agreed to without the Interested Directors voting or would have been agreed to if the votes of the Interested Directors had not been counted.
 - (c) Any authorisation of a matter pursuant to sub paragraph (a) of this paragraph of this Article shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.
 - (d) Any authorisation of a matter under sub paragraph (a) of this paragraph of this Article shall be subject to such conditions or limitations as the Directors may specify, whether at the time such authorisation is given or subsequently, and may be terminated or varied by the Directors at any time. A Director shall comply with any obligations imposed on him by the Directors pursuant to any such authorisation.
 - (e) A Director shall not, by reason of his office or the fiduciary relationship thereby established, be accountable to the Company for any remuneration or other benefit which derives from any matter authorised by the Directors under sub-paragraph (a) of this paragraph of this Article and any contract, transaction or arrangement relating thereto shall not be liable to be avoided on the grounds of any such remuneration or other benefit or on the ground of the Director having any interest as referred to in the said Section 175.
 - (f) A Director shall be under no duty to the Company with respect to any information which he obtains or has obtained otherwise than as a director or officer or employee of the Company and in respect of which he owes a duty of confidentiality to another person. However, to the extent that his connection with that other person conflicts, or possibly may conflict, with the interests of the Company, this sub-paragraph (f) of this paragraph of this Article applies only if the existence of that connection has been authorised by the Directors under sub-paragraph (a) of this paragraph of this Article. In particular, the Director shall not be in breach of the general duties he owes to the Company by virtue of Sections 171 to 177 of the 2006 Act because he fails:
 - (i) to disclose any such information to the Directors or to any Director or other officer or employee of the Company; and/or
 - (ii) to use any such information in performing his duties as a Director or officer or employee of the Company.
 - (g) Where the existence of a Director's connection with another person has been authorised by the Directors under sub-paragraph (a) of this paragraph of this Article and his connection with that person conflicts, or possibly may conflict, with the interests of the Company, the Director shall not be in breach of the general duties he owes to the Company by virtue of Sections 171 to 177 of the 2006 Act because he:
 - (i) absents himself from meetings of the Directors or any committee thereof at which any matter relating to the conflict of interest or possible conflict of interest will or may be discussed or from the discussion of any such matter at a meeting or otherwise, and/or
 - (ii) makes arrangements not to receive documents and information relating to any matter which gives rise to the conflict of interest or possible conflict of interest sent or supplied by the Company and/or for such documents and information to be received and read by a professional advisor, for so long as he reasonably believes such conflict of interest (or possible conflict of interest) subsists.

- (h) The provisions of sub-paragraphs (f) and (g) of this paragraph of this Article are without prejudice to any equitable principle or rule of law which may excuse the Director from:
 - (i) disclosing information, in circumstances where disclosure would otherwise be required under these articles or otherwise; or
 - (ii) attending meetings or discussions or receiving documents and information as referred to in sub-paragraph (g) of this paragraph of this Article, in circumstances where such attendance or receiving such documents and information would otherwise be required under these Articles.
- (i) For the purposes of this Article, a conflict of interest includes a conflict of interest and duty and a conflict of duties.

By order of the Board

Cynthia B Cagle
Secretary
25 March 2008

Registered office:
St James's House
23 King Street
London SW1Y 6QY
United Kingdom

Registered in England No. 3300821

Notes

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy (who need not be a member of the Company) to attend, speak and vote instead of him/her. A form of proxy is enclosed with this notice. The completion and return of the proxy form does not preclude a member from attending the Meeting and voting in person.
2. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. To appoint more than one proxy, please sign and date the form of proxy and, if necessary, attach a schedule listing the names and addresses (in block letters) of all of your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) and indicating how you wish each proxy to vote or abstain from voting. You may not appoint more than one proxy to exercise the rights attached to any one share. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the Meeting".
3. In order to be valid, the form of proxy and any power of attorney, or notarially certified copy thereof, under which it is executed, must be received by the Company not later than 10.00am on 22 June 2008 and be returned by post, by courier or by hand to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have the right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise such right, he/she may, under such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6.00pm on 22 June 2008 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at that time. Subsequent changes to entries on the register of members shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
7. If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, the time referred to in the immediately preceding paragraph will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period, then to be so entitled members must be entered on the Company's register of members at a time which is 48 hours before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
8. As at 25 March 2008, the Company's issued share capital comprises 72,900,371 ordinary shares of £0.20, each such share carrying one vote, and 27,500 shares in Treasury. Accordingly, the total voting rights in the Company as at 25 March 2008 are 72,872,871.
9. In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the Meeting so that:
 - (i) If a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
 - (ii) If more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure.
10. A copy of the revised Articles of Association of the Company, marked to show the amendments from the existing Articles of Association pursuant to Resolution 15, will be available for inspection at the offices of Ashurst, Broadwalk House, 5 Appold Street, London EC2A 2HA during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice until the close of the Annual General Meeting and will also be available at the place of the Meeting for at least 15 minutes prior to, and during, the Meeting.

Company Information

REGISTERED OFFICE

SOCO International plc
St James's House
23 King Street
London
SW1Y 6QY
United Kingdom

Registered in England
Company No. 3300821

WEBSITE

www.socointernational.co.uk

COMPANY SECRETARY

Cynthia B Cagle

FINANCIAL CALENDAR

Group results for the year to 31 December are announced in March/April. The Annual General Meeting is held during the second quarter. Half year results to 30 June are announced in August. Additionally, the Group will issue an interim management statement between 10 weeks after the beginning and six weeks before the end of each half year period.

ADVISORS

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London, United Kingdom

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This document includes certain forward-looking statements regarding the SOCO Group. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak as only of the date of this document.

Except as required by law, the Company is under no obligation to publicly update or keep current the forward-looking statements contained in this document or to publicly correct any inaccuracies which may become apparent in such forward-looking statements.

Recognising opportunity

Capturing potential

Realising value

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