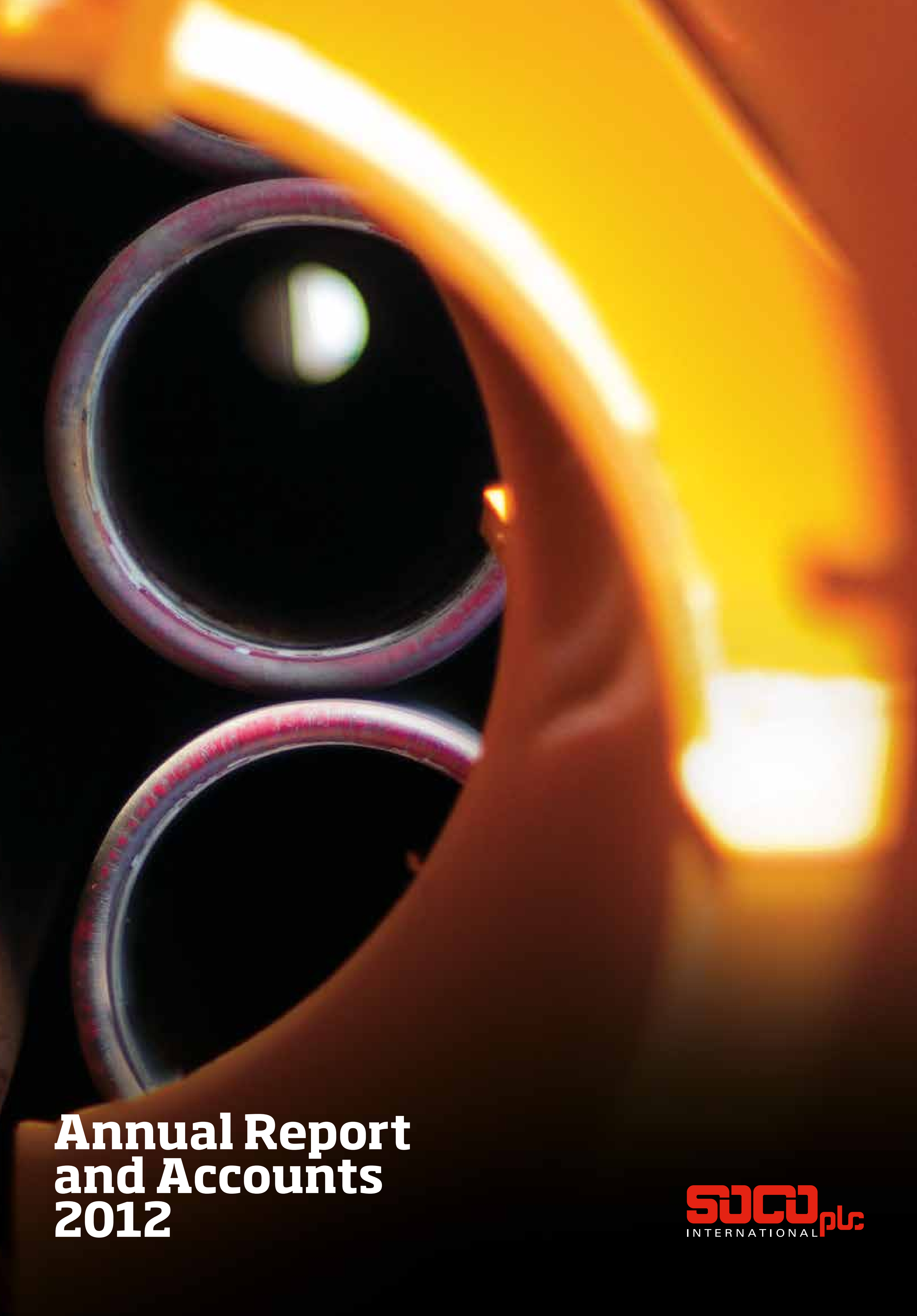


Annual Report and Accounts 2012

SOCO INTERNATIONAL plc

WE ARE AN INTERNATIONAL **OIL AND GAS EXPLORATION AND PRODUCTION** COMPANY, LISTED ON THE LONDON STOCK EXCHANGE, EMPLOYING A STRATEGY FOR BUILDING SHAREHOLDER VALUE THROUGH A PORTFOLIO OF OIL AND GAS ASSETS

2012 Financial Highlights

$621.6m
Revenue

$207.0m
Profit for the Year

$334.8m
Net Cash from Operating Activities

In this Report

At a Glance

SOCO AROUND THE WORLD

Corporate

Corporate headquarters
London, United Kingdom

Listing
London Stock Exchange,
FTSE 250

Functions
- Strategic direction
- Operational support
- Financial management
- Investor relations
- Stakeholder communications

Production portfolio

Block 9-2
Location
Cuu Long Basin, offshore Vietnam
Operational phase
Field development/production
Operator
Hoan Vu Joint Operating Company

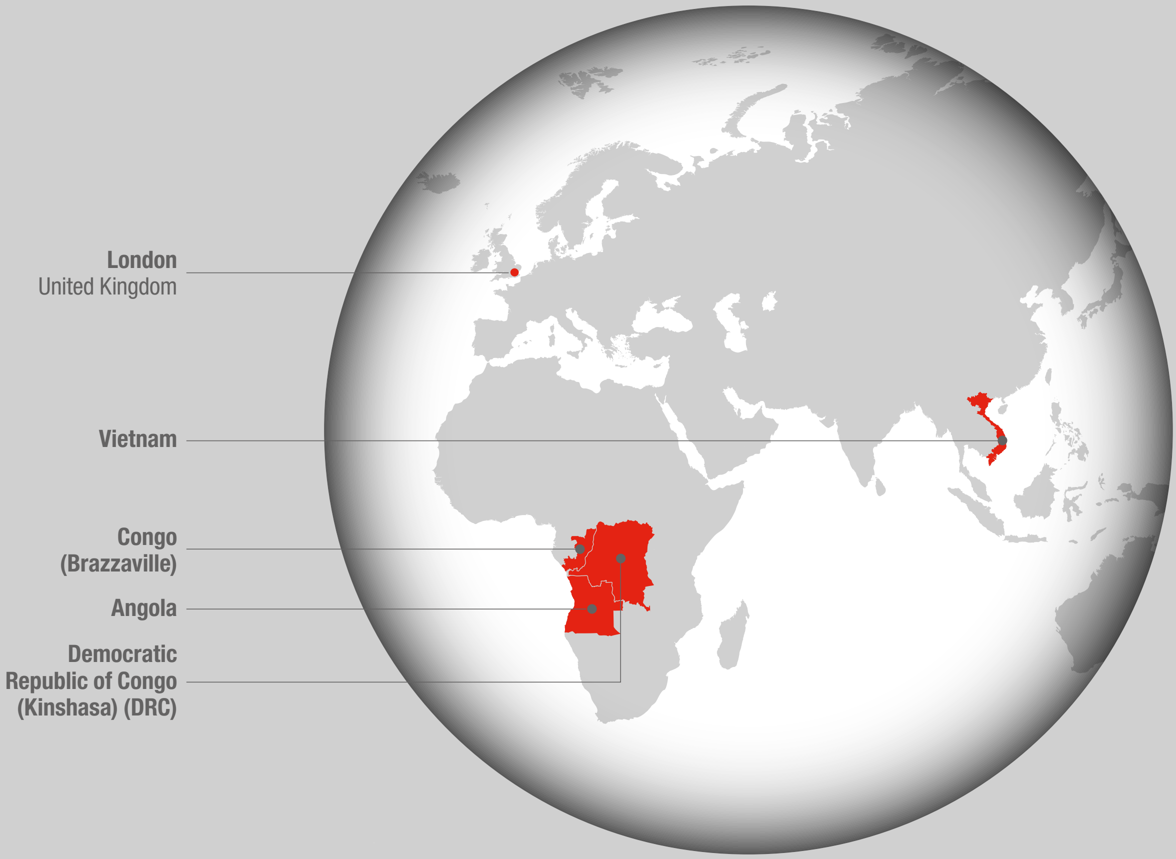
SOCO interest
SOCO Vietnam
25%

Project partners
PetroVietnam
50%
PTTEP
25%

Block 16-1
Location
Cuu Long Basin, offshore Vietnam
Operational phase
Appraisal/field development/production
Operator
Hoang Long Joint Operating Company

SOCO interest
SOCO Vietnam
28.5%
OPECO Vietnam
2%

Project partners
PetroVietnam
41%
PTTEP
28.5%



Exploration portfolio

Marine XI Block
Location
Congo Basin, offshore Congo (Brazzaville)
Operational phase
Exploration/appraisal

SOCO interest
Operator
SOCO EPC
40.39%

Project partners

PetroVietnam	8.5%
AOGC	10%
SNPC	15%
Raffia Oil	26.11%

Nganzi Block
Location
Congo Basin, onshore western DRC
Operational phase
Exploration

SOCO interest
Operator
SOCO E&P DRC
65%

Project partners

INPEX	Cohydro
20%	15%

Block V
Location
Albertine Rift, onshore eastern DRC
Operational phase
Block evaluation

SOCO interest
Operator
SOCO E&P DRC
85%

Project partners
Cohydro
15%

Cabinda North Block
Location
Congo Basin, onshore Cabinda, Angola
Operational phase
Block evaluation/ exploration

SOCO interest
SOCO Cabinda
17%
Operator
Sonangol P&P
20%

Project partners

ENI Angola	10%
Petropars	10%
Interoil	11%
Angola Consulting Resources	15%
Teikoku Oil	17%

Status: Under option for disposal

Nanga II A Block
Location
Congo Basin, onshore Congo (Brazzaville)
Operational phase
Block evaluation

SOCO interest
SOCO EPC
100%
of a one-year exploration licence

The Group has been awarded a sole one-year exploration licence and will determine whether to enter into a production sharing contract following an evaluation of the data.

A year of success

TGT production ramp-up
The H4 Well Head Platform commenced production a month ahead of schedule in July 2012, increasing total field production to average above 50,000 barrels of oil per day (BOPD) since start up; peak production has reached over 60,500 BOPD. Current production is approximately:

55,000
BOPD

100%

SOCO Vietnam Ltd.
In July 2012, the Company acquired the right to receive all of the future cash flows of SOCO Vietnam Ltd. (see page 8)

Record revenues

$621.6m

With a full year of production in 2012 from the H1 Well Head Platform and approximately six months production from the more recently installed H4-WHP, revenues and net profits have significantly increased.

0 LTIs

Safety remains paramount
The number of Lost Time Injuries remains nil.

Chairman and Chief Executive's Statement

THE BOARD EXPECTS TO RECOMMEND A SUSTAINABLE RETURN OF CAPITAL TO SHAREHOLDERS DURING 2013

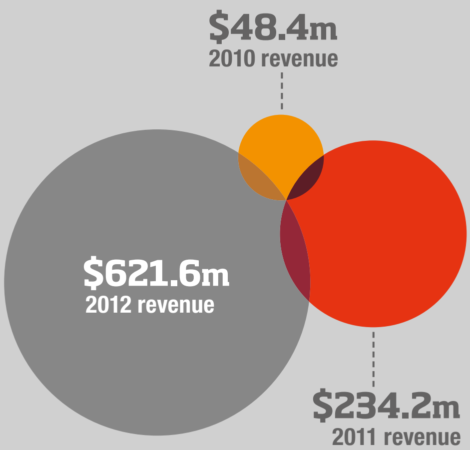
Dear Shareholder

Operationally and financially, 2012 was another strong year for the Company as it increased production and cash flow substantially by bringing on additional production ahead of schedule and on budget at the Te Giac Trang (TGT) field in Vietnam. SOCO sought and received independent confirmation of the potential of this field. At the same time we aggregated further interests in current projects that we believe have significant further potential and bought back a number of shares and bonds. Over the next year we plan to add a number of new ventures to our already strong portfolio.

The Group increased its interests in the existing South East Asia portfolio by acquiring the remaining 20% interest in SOCO Vietnam Ltd (SOCO Vietnam); the now wholly owned SOCO subsidiary that holds a 28.5% interest in the TGT field and a 25% interest in the Ca Ngu Vang (CNV) field, both offshore Vietnam. SOCO also acquired the majority stake in the Block V Albertine Rift project,

Left: **Ed Story, President and Chief Executive Officer**
Right: **Rui de Sousa, Chairman**

Results in brief



$ millions	2012	2011	2010
Profit for the Year	207.0	88.6	101.4
Net Cash from Operating Activities	334.8	90.2	36.7
Cash, Cash Equivalents and Liquid Investments	258.5	160.1	260.4
Net Assets	1,176.6	1,098.1	1,013.2

giving it the sole contractor interest (85%) in an area where there has already been significant exploration success.

Throughout the year, the Company took advantage of its strong cash position to increase shareholder value by buying back 7.5 million ordinary shares into treasury, representing 2.20% of the Company's entire issued share capital. It also bought back more of its outstanding convertible bonds during opportune times, further strengthening the balance sheet.

In July 2012, the TGT field's second platform (the H4 Well Head Platform or H4-WHP) was brought on stream, a month ahead of schedule, immediately raising total field production from the TGT field to average above 50,000 barrels of oil per day (BOPD) since start up. The acceleration was particularly noteworthy as the field's crude output commanded a $5 to $7 per barrel premium to Brent during a period of already high crude prices allowing us to realise an average crude oil sales price throughout the year of approximately $118 per barrel.

During the year, the Company retained RPS Energy Consultants Limited (RPS), a professional consultancy specialising in petroleum reservoir evaluation and economic analysis, to begin an independent assessment of its Vietnam assets. With limited production history from the H4-WHP and only the TGT development activities planned through 2013 considered, RPS estimates TGT's Stock Tank Oil Initially In Place to range from 466 to 958 million barrels of oil (MMBBLs) with recovery factors ranging from 28% to 35%. Additional Prospective Resources of 53 to 152 MMBBLS are attributed, in particular in the undrilled southern-most fault block, H5, which will be drilled as a step-out appraisal well in the first half of 2013.

Whilst this independent view confirms upside potential in the TGT field, SOCO believes that additional drilling and longer term production will continue to de-risk the field and impact positively on both the total number of reserves and recovery factors. We believe we can achieve recovery factors of 45-50%, as has already been demonstrated in several producing intervals and in line with similar producing horizons in other producing fields within the same basin.

A new exploration licence onshore the Republic of Congo (Brazzaville), the Nanga II A, was added to the portfolio during the year. The Company's expanded and reorganised exploration and business development team continues to appraise several licence blocks in the Groups' core areas of central Africa and South East Asia.

The strategy that fuels growth

Project success is a long term measure of management effectiveness at allocating capital.

Since the Company's inception in 1997, we have been both selective and disciplined with our project investments and have only committed the Company to major project investment in nine areas. To date, seven of these projects have fuelled the Company's growth organically without the requirement for multiple capital raisings, the only exception being a share placing in 2010 to address the possible exercise of a put on a convertible bond. The Directors of the Company believe such growth will continue through our adherence to this strategy.

WE HAVE CONTINUED TO APPLY OUR **THREE-POINT STRATEGY**

1. 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.

2. Capturing potential

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

3. 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.

Chairman and Chief Executive's Statement continued

SOCO's Vietnam operations in the Cuu Long Basin and in particular the TGT field, remain the cornerstone of the Group's portfolio and are generating significant cash flow. Six successful projects have been recycled into cash; these include our interests offshore in the Gulf of Thailand and the Tunisian Gulf of Gabès and onshore in the East Shabwa Development Area of Yemen, the Tamtsag Basin in Mongolia, European Russia and the Weald Basin in the UK. These divestments have enabled reinvestment in new projects and funding of further phases of growth. The other two of our nine investment areas, the Congo Basin and the Albertine Rift, are still in the exploration phase, the latter being in very preliminary stages in a high potential region, albeit with significant security challenges.

The essence of our strategy is to identify under-exploited opportunities in hydrocarbon prone regions. That means that we will not typically enter new regions or open up new, unproven geological areas. Equally, it means a cautious approach to popularised but untested regions with significant commercial risk. Moreover, we avoid the commercial risk of projects that lock in capital for overly long periods of time. Whilst oil is SOCO's main focus, the Company would not avoid an opportunity where gas could be commercialised locally.

Finally, we seek opportunities that offer materiality to the Company. The benchmark for entry into a new country is a project that has multiple play types, but the primary target should have the potential of adding 50 million barrels net to the Company's interest.

Financial and Operating Results

We set new records in 2012 with Group revenue jumping to $621.6 million compared to the previous record revenues of $234.1 million set in 2011. This follows the Company's first full year of production from the TGT field H1-WHP and approximately six months of production from the H4-WHP. After tax profits mirrored that dramatic revenue increase at $207.0 million up from $88.6 million in 2011. In 2012 Group net entitlement volumes were approximately 15,500 barrels of oil equivalent per day (BOEPD) compared with an average of approximately 6,730 BOEPD in 2011. Working interest production net to SOCO averaged 14,757 BOEPD during 2012 compared with 5,437 BOEPD in 2011. Additionally, the Company was able to benefit from high oil prices with the Group realising nearly $118 per barrel of crude oil sold compared with approximately $113 per barrel in 2011.

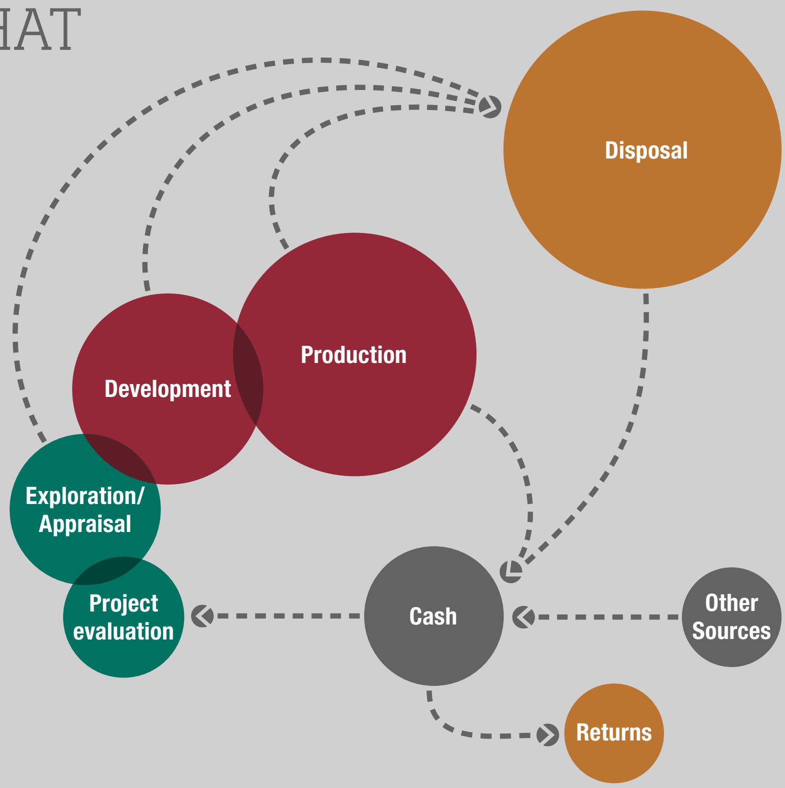
Cash flows from operating activities were up from $90.2 million in 2011 to $334.8 million in 2012, reflecting the increases in both oil production and realised oil prices. Capital expenditures reduced to $109.9 million in 2012 from $152.2 million in 2011. Development activities continued apace with the installation of the H4-WHP and the drilling of four wells in the TGT field; however, no exploration wells were drilled during 2012 whereas two wells were drilled offshore Congo (Brazzaville) in 2011.

In July 2012, the Company used its significant cash balances to acquire the remaining 20% interest in SOCO Vietnam, which holds the Group's interest in CNV and the majority of its interest in TGT, for $95.0 million. Further, the Company purchased 7.5 million of its own shares into treasury, representing 2.20% of the Company's entire issued share capital, at a cost of $32.9 million and repurchased convertible bonds at a cost of $0.9 million. The Group ended

THE STRATEGY THAT FUELS **GROWTH**

Reinvestment from cash inflows generated by operations and disposals creates more opportunities for exploration

Key
- Recognising opportunity
- Capturing potential
- Realising value
- Cash flow



the year with cash, cash equivalents and liquid investments of $258.5 million, up from $160.1 million at the end of 2011.

The Directors are not recommending a payment of a dividend in respect of 2012 (2011 – nil). However, the Board expects to recommend a sustainable return of capital to shareholders during 2013, the level of which will be determined pending Hoang Long and Hoan Vu Joint Operating Companies' (HLHVJOC) approvals of a 2013 Work Programme and Budget for CNV and TGT and incorporating results of the upcoming capacity test of the floating production, storage and offloading vessel (FPSO).

2012 Operations Review

SOCO is proud of its operational record and achievements. The on-budget delivery of the second TGT platform one month ahead of schedule and almost one year ahead of the original development plan is a testament to the Company and its commitment to prudent and effective operations. The Company is particularly proud of the exemplary track record of health and safety in its Vietnam operations which have had no reported lost time incidents.

South East Asia

Vietnam – Block 16-1

Production from TGT's southern platform, the H4-WHP, commenced on 6 July 2012, completing the field's conversion from an exploration and development play to a cash generative asset. This was achieved over one month earlier than scheduled and nearly a year ahead of the original approved development plan.

Production from TGT has averaged 42,126 BOPD gross and 12,618 BOPD net to the Group's working interest during 2012 with net entitlement production averaging 13,357 BOPD, including recovery of costs carried on behalf of PetroVietnam. The field continues to perform in line with expectations, with field production ranging from 52,000 to 55,000 BOPD with daily rate fluctuations reflecting well intervention activities. A 24-hour "high rate" flow test of the FPSO was carried out at 60,789 BOPD with no issues seen in either the reservoir performance or the FPSO operability. Sales of TGT crude currently realise a premium of $5 to $7 per barrel to Brent benchmark crude price.

Vietnam – Block 9-2

Production on Block 9-2 from the CNV field has been steady during the year with production net to the Company's working interest averaging 2,139 BOEPD during 2012.

Dedicated test separation and metering facilities have been installed on the Bach Ho central processing platform complex and the Company has performed its independent calibrations. Vietsovpetro, the operator of the Bach Ho facilities through which CNV production is processed, has undertaken to perform its own independent calibrations. We expect to be able to arrive at some agreed measurement techniques once the outcome of their calibrations is known.

Africa

Republic of Congo (Brazzaville)

From an analysis of the results of previously acquired data on the Block, incorporating the results of the Lideka Marine 1 well drilled by the previous Block concession holder, the Marine XI partners have agreed to drill the Lideka Marine East 1 well. An initial rig sharing agreement was delayed during the fourth quarter of 2012, but the well is expected to spud in the second half of 2013. This well will be a test of stacked plays and will test both the structural closure updip from

WE ARE COMMITTED TO **THE HIGHEST STANDARDS** OF CORPORATE GOVERNANCE

The Board recognises the need for an appropriate balance of critical attributes, including skills, experience, diversity, independence and knowledge of the Company. Accordingly, it continually seeks, within an appropriate Board size, to manage a balance between each important element in its composition, including Executive representation, independence, diversity, tenure and refreshment.

p47 Corporate Governance Report

Board diversity

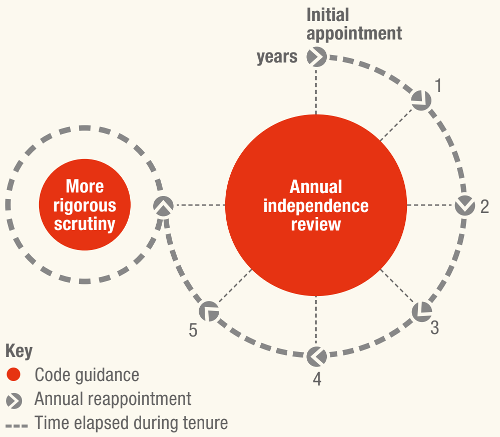
Board composition

Board nationalities

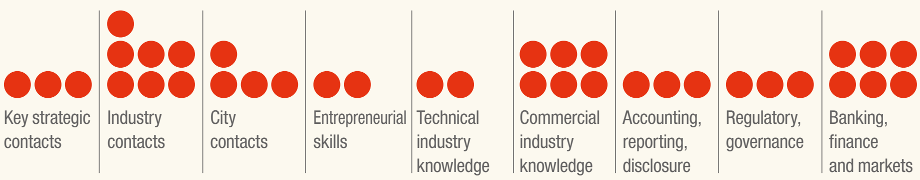
Board age breakdown

Board independence

In accordance with the UK Corporate Governance Code (Code), all Directors are subject to annual independence reviews and election by shareholders



Non-Executive Directors' knowledge, skills and experience



Chairman and Chief Executive's Statement continued

an oil leg encountered in the Lideka Marine 1 well that was drilled two kilometres to the west and also the large untested structural closure in an overlying formation.

The Group has been awarded a one-year exploration licence over the Nanga II A Block located adjacent to the coast, onshore Congo (Brazzaville), near the M'Boundi producing field. The initial plan is to evaluate aeromagnetic data and reprocess several 2D seismic lines previously acquired over the block before determining whether or not to proceed with a limited 3D seismic survey on the area. The Group will determine whether to enter into a production sharing contract following an evaluation of the data.

Democratic Republic of Congo (Kinshasa) (DRC)

The Government of the DRC commissioned an aerial survey and baseline studies over Block V in September 2011 as part of its wider objective of performing a Strategic Environmental Evaluation. Accordingly, SOCO's work programme has been agreed in close collaboration with the Congo Environmental Studies Group (also known as Groupe d'Etudes Environnementales du Congo or GEEC) and the Congolese Wildlife Authority (also known as Institut Congolais pour la Conservation de la Nature or ICCN).

Preparations are ongoing for the aerial survey, which will be carried out from our logistics base in Uganda and will involve a helicopter flying over Lake Edward and the surrounding lowland savannah area. The security status is being assessed on a continual basis and we will only proceed when the assessment is that it is safe to do so.

In July 2012, SOCO increased its interest in the Block V licence to 85% by acquiring the 46.75% interest held by Ophir Energy Plc. The remaining 15% interest is held by Cohydro, the national oil company of the DRC.

In the Nganzi Block depth migrated reprocessing of the data from the 2D seismic acquisition programme is ongoing. Following interpretation, decisions will be made by the partners on potential drilling locations prior to year end.

Angola

Interpretation of the data acquired from the 2D seismic acquisition programme was completed during the year. Preparation has now commenced for the drilling of the 20-6 and 20-7 exploration wells in Dinge area. Drilling is expected to start mid-2013. The Company has announced that it has entered into a conditional agreement to sell its interest in the Cabinda North Block (see below for details).

Corporate

Purchase of own shares

During 2012, the Company spent approximately $32.9 million repurchasing 7,514,416 of its own ordinary shares of £0.05 each (Shares) at an average cost of £2.784 per Share. As at 31 December 2012, the Company held 9,122,268 (31 December 2011 – 1,607,852) Treasury Shares.

Acquisition of the outstanding non-controlling interest in SOCO Vietnam Ltd

In July 2012, SOCO completed an agreement with Lizeroux Oil & Gas Ltd to acquire the 20% outstanding non-controlling interest in SOCO Vietnam for a cash consideration of $95 million (the Acquisition), which was satisfied out of existing cash resources of the Company. The Acquisition was conditional upon the approval of SOCO shareholders, which was given at a general meeting of the Company in July 2012. As a result of the Acquisition, SOCO Vietnam became a wholly owned subsidiary of the Group and SOCO acquired the right to receive all of the future cash flows that the non-controlling interest was entitled to receive.

Transfer of the interest in Block V of the Albertine Graben, DRC

In July 2012, a wholly owned subsidiary of Ophir Energy Plc transferred its 46.75% interest in the Contractor's right, title and interest in a production sharing contract relating to Block V to SOCO Exploration & Production DRC Sprl (SOCO E&P DRC). The transfer was completed on 20 July 2012 for the cash consideration of $6.5 million plus agreed reimbursement of $2.2 million for the cash calls paid in 2012. As a result of the transfer, SOCO E&P DRC has an 85% interest in Block V.

Conditional sale of the majority interest in SOCO Cabinda Limited

In September 2012, SOCO announced that it had entered into a conditional agreement (the Disposal) with Quill Trading Corporation (Quill) wherein the Group will sell its 80% majority interest in SOCO Cabinda Limited (SOCO Cabinda) to Quill, the holder of the remaining 20% interest. SOCO Cabinda has a 17% participating interest in the Cabinda North Block, onshore the Angolan enclave of Cabinda. The Group has no reserves attributable to its interests in SOCO Cabinda. The Directors believe that the Disposal is in the best interests of the Company's shareholders as the Group continues to re-focus the portfolio on higher impact projects in which it holds larger participating interests. Quill has paid a non-refundable deposit to the Company for the option to acquire SOCO's entire shareholding in SOCO Cabinda. The option expiry has been extended and the final terms for closing are under negotiation.

The Board of Directors

During the year, the Board appointed Ms Cynthia Cagle as an Executive Director. Cynthia has been an officer of the Group since its inception in 1997 and is a Director of the Company's significant subsidiaries. In her role as Company Secretary, Cynthia has attended all of the Company's Board and Committee meetings since 1997 and has an in-depth knowledge of the Company's Board and committee procedures and policies. Cynthia's appointment increases the financial and corporate governance experience represented on the Board and reflects the importance the Board attaches to these areas of expertise.

Executive Staff Appointment

In December 2012, the Company was delighted to announce the promotion of Antony Maris to Chief Operating Officer. Antony has played a core role in SOCO's operations since joining in 2004 and we look forward to his ongoing positive input to the business.

Outlook

Operationally in 2013 we will continue appraising the TGT field, with the most significant undrilled fault block, the southern-most H5 fault block, to be drilled as soon as the winter monsoon season ends in Vietnam, likely at the beginning of the second quarter. With the outcome of that well and significantly more production data from the field, we should be able to further progress our assessment of the potential of the field.

Also in Vietnam, we expect to drill an additional production well on CNV, which will allow us to access the thus far undrilled south-western corner of the field. The outcome of this well, with some production history, should enable us to update the reserves position in the field.

Further exploration drilling is planned in the summer of 2013 with the drilling of the East Lideka well.

We seek to build shareholder value first and foremost through the portfolio. We expect to add multiple new ventures to our portfolio in 2013, including at least one more high profile exploration project in an area where we already have a footprint. Nonetheless, the Board expects to recommend a sustainable return of capital to shareholders during 2013, the level of which will be determined pending the HLHVJOC's approval of a 2013 Work Programme and Budget for CNV and TGT and incorporating results of the upcoming capacity test of the FPSO.

Rui de Sousa
Chairman

Ed Story
President and Chief Executive Officer

Our Corporate Responsibility Guiding Principle

TARGETING A **NET POSITIVE CONTRIBUTION**

Our business is guided by an overarching principle: to make a net positive contribution through balancing the needs for energy security, economic development, social improvement and protection of the environment.

A successful project can transform not only a company, but also the economic and social wellbeing of a host country by contributing to its ability to produce and supply its own natural resources. We recognise that built into the heart of this opportunity is the business imperative to act responsibly. SOCO is committed to conducting our business in an honest and ethical manner and ensuring that the health and safety of people and the protection of the environment remain a business priority.

Ed Story
President and Chief Executive Officer

Our Corporate Responsibility commitment is embedded in our strategy

In Congo and DRC, SOCO and its partners have provided:

- potable water wells
- healthcare buildings
- medical supplies
- disease prevention education and supplies
- community and social care assistance
- school buildings and teaching supplies
- new and upgraded road infrastructure
- road bridges
- an air strip
- supplies following humanitarian emergencies

SOCO and its partners have contributed approx

$2.5M

towards social projects in Congo and DRC since the projects began

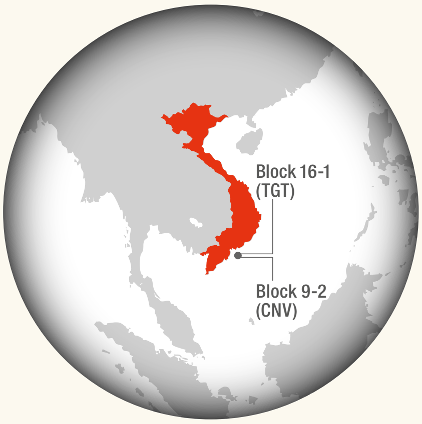
p30 Corporate Responsibility Report

further information on our approach to Corporate Responsibility is available on our website:

www.socointernational.com

Vietnam Update

Production from TGT's southern platform, the H4-WHP, commenced on 6 July 2012, completing the field's conversion from an exploration and development play to a cash generative asset.



This was achieved over one month earlier than scheduled and nearly a year ahead of the original approved development plan. Production from TGT has averaged 42,126 BOPD gross and 12,618 BOPD net to the Group's working interest during 2012 with net entitlement production averaging 13,357 BOPD, including recovery of costs carried on behalf of PetroVietnam. The field continues to perform in line with expectations, with field production ranging from 52,000 to 55,000 BOPD with daily rate fluctuations reflecting well intervention activities. A 24-hour "high rate" flow test of the FPSO was carried out at 60,789 BOPD with no issues seen in either the reservoir performance or the FPSO operability. Sales of TGT crude currently realise a premium of \$5 to \$7 per barrel to Brent benchmark crude price.

Block 9-2 (CNV)

Geological Basin: Cuu Long

Location:
Offshore, in shallow waters, approx 80 km south east of Vung Tau
Size:
95 sq km
History:
Year awarded: 2000
First discovery: 2002
First oil: 2008

Block 16-1 (TGT)

Geological Basin: Cuu Long

Location:
Offshore, in shallow waters, approx 80 km south east of Vung Tau
Size:
173 sq km
History:
Year awarded: 1999
First discovery: 2005
First oil: 2011

p14
Review of Operations

TGT Production Ramp-up

33,400 BOPD

averaged approximately during the first half of 2012

50,700 BOPD

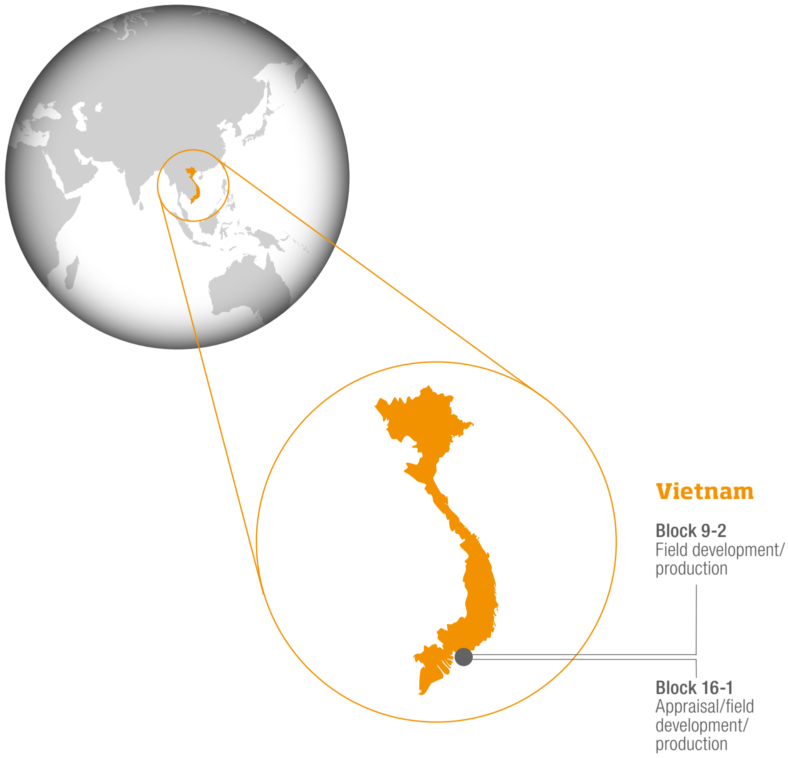
averaged approximately during the second half of 2012

BUSINESS REVIEW

The results for 2012 demonstrate the transformation of this Company. With the TGT field's average gross production now over 50,000 BOEPD, the record revenues, cash flow and profitability speak for themselves.

Review of Operations

PRODUCTION FROM THE TGT H4-WHP COMMENCED OVER ONE MONTH EARLIER THAN SCHEDULED AND NEARLY A YEAR AHEAD OF THE ORIGINAL APPROVED DEVELOPMENT PLAN



Antony Maris,
Chief Operating Officer

Following First Oil from the Te Giac Trang (TGT) field which was achieved from the northern platform both on schedule and on budget on 22 August 2011, production from the southern TGT H4 Well Head Platform (WHP) commenced on 6 July 2012, over one month earlier than scheduled and nearly a year ahead of the original approved development plan.

Total production net to the Group's working interest during 2012 averaged 14,757 barrels of oil equivalent per day (BOEPD), over 170% higher than the 5,437 BOEPD achieved in 2011. Net entitlement production averaged 15,496 BOEPD including recovery of costs carried on behalf of PetroVietnam.

An early independent reservoir engineers' assessment of an ongoing evaluation of the TGT field (see page 17) has ascribed a Stock Tank Oil Initially In Place (STOIIP) range up to 958 million barrels (MMBBLs), which confirms the Company's original assessment.

Elsewhere, the Company has pursued new projects in regions where SOCO already has a presence and continues to evaluate other projects in new areas of interest. SOCO's primary focus has been on oil projects in hydrocarbon prone regions that can be commercialised within reasonable time frames to enhance its asset portfolio. Progress has been made with the first new venture, the Nanga II A area exploration licence in the Republic of Congo (Brazzaville), which was added to our portfolio this year.

South East Asia

Vietnam

SOCO's Block 16-1 and Block 9-2 projects in Vietnam are located offshore in the oil rich Cuu Long Basin, which is a shallow water, near shore area defined by several high profile producing oil fields, the largest of which, Bach Ho, is located between the two Blocks and has produced more than one billion barrels of oil to date. The projects are operated through non-profit Joint Operating Companies wherein each participating party owns shares equivalent to its respective interests in the Petroleum Contracts governing the projects.

SOCO's interests are held through its wholly-owned subsidiaries, SOCO Vietnam Ltd and OPECO Vietnam Limited. SOCO Vietnam Ltd holds a 25% working interest in Block 9-2, which is operated by the Hoan Vu JOC (HVJOC) and holds a 28.5% working interest in Block 16-1, which is operated by the Hoang Long JOC (HLJOC). OPECO Vietnam Limited holds a 2% interest in Block 16-1. SOCO's partners on both Blocks are PetroVietnam, the national oil company of Vietnam, and PTTEP, the national oil company of Thailand.

Production

Te Giac Trang, Block 16-1

The TGT field is situated in the north-eastern part of Block 16-1, offshore Vietnam and is operated by the HLJOC. The Block was awarded in December 1999 and the first commercial discovery, TGT, was made in 2005. TGT is considered to be a simple structure

Non-Financial Key Performance Indicators

	2012	2011	2010
Production (BOEPD)	**14,757**	5,437	4,648
Proven and probable reserves (mmboe)	**128.5**	130.3	132.6
Lost time injury frequency	**nil**	nil	nil

See the Five Year Summary on pages 94 to 95 for definitions

> The 2013 campaign of infill drilling and the H5 step-out appraisal well is expected to commence in the second quarter of this year.

extending over 13 kilometres and at least five fault blocks. The producing reservoir comprises a complex series of over 50 Clastic reservoir intervals of Miocene and Oligocene age. Each reservoir interval requires individual reservoir management to ensure optimised field recovery. Production from the TGT field started in August 2011 thus is early in field life and without a directly comparable field analogue.

Activity continued apace during the first half of 2012 in preparation for the start of production from the southern H4-WHP TGT platform. Drilling of five development wells from H4-WHP was completed prior to releasing the rig in April 2012. All the development wells were suspended and were subsequently perforated to become producing wells. The accelerated construction activities on the H4 topsides allowed for an early load out from the fabrication yard. Production from H4-WHP commenced on 6 July 2012, over one month earlier than scheduled and nearly a year ahead of the original approved development plan.

At the northern H1-WHP platform, the PetroVietnam Drilling Rig, PVD-II, came on location in mid-year to complete the four-well, infield development drilling programme which included two infill development wells, an appraisal well and one step-out development well. The TGT-15P and TGT-16P infill wells on the H1.1 fault block and the TGT-8X appraisal well on the H2N fault block were batch drilled into the reservoir section. These wells are now producing. The TGT-17P development well was suspended following a "twist-off" in the bottom-hole assembly above the reservoir section. The rig was released ahead of the monsoon season and drilling will recommence on the TGT field in the second quarter of 2013 for the 2013 drilling programme, which will include completing the TGT-17P well.

Overall, the results from the eight wells completed in 2012 were in line with expectations, with some wells significantly better than expected. However, TGT-8X and TGT-15P did not have results in line with expectations. TGT-8X drilled a previously unrecognised narrow fault block which was structurally lower than expected, limiting the overall pay in the well.

The TGT-15P had good reservoir properties in the primary targeted upper portion of the Miocene reservoir sands, in line with expectation. However, it appears that the lower portion of the Miocene reservoir, and the Oligocene reservoir sands, were penetrated in a relatively down-dip position. The overall result was to reduce the pay count in this well. This localised effect has been incorporated into the modelling for the field and the future reservoir management planning.

Based on the evaluation of the results of the reservoir pressures from the 2012 drilling programme, depletion has been identified in the upper part of the Miocene reservoir sands. This indicates lateral communication in a north-south direction, complementing the lateral communication identified from well testing, in the east-west direction. Although still early in the field life, this lateral communication is a positive indication that will allow the operator to more accurately predict sweep through the individual reservoir sands and design reservoir management plans that will target high recovery efficiencies.

With the introduction of production from the five wells at the southern platform, TGT has achieved stable flow rates ranging from 52,000 to 55,000 barrels of oil per day (BOPD), with daily rate fluctuations reflecting well intervention activities. A one-day "high rate" flow test of the floating, production, storage and offloading vessel (FPSO) was carried out at 60,789 BOPD with no issues seen in either the reservoir performance or the FPSO operability. The data gathered during this performance test is being analysed to enable us to identify and alleviate bottlenecks in the systems to assess the FPSO oil production handling potential.

The TGT field is currently producing from two 16-slot platforms (some of the slots are designed to handle two wells) with 16 producing wells. The field continues to perform in line with expectations, with field production ranging from 52,000 to 55,000 BOPD. Sales of TGT crude currently realise a premium of $5 to $7 per barrel to Brent benchmark crude price.

Further drilling and appraisal is planned as part of the continuing field development. The 2013 campaign of infill drilling and the H5 step-out appraisal well is expected to commence in the second quarter of this year.

Review of Operations continued

Gordon Graham,
Group Business Development Manager

Vincent Duignan,
Group Exploration Manager,
General Manager – SOCO South East Asia

Independent Assessment of Range of Reserves
In the second half of 2012, the Company retained RPS Energy Consultants Limited (RPS), a professional consultancy specialising in petroleum reservoir evaluation and economic analysis, to provide an independent assessment of the field's STOIIP and potential recovery factors. On 13 February 2013, the Company announced that, based on the information available to date, RPS had estimated a STOIIP range of from 466 to 958 MMBBLs. Additional undiscovered STOIIP of 53 to 152 MMBBLs is attributed, in particular in the undrilled southern-most fault block, H5, which will be drilled as a step-out appraisal well in mid-2013. This independent view confirms the Company's overall assessment of the TGT field.

From the information available to date and the limited extent of development in each fault block, in particular the number of producing wells and the provision of injection support, RPS have taken the view that recovery factors range from 28% to 35%.

In principle, RPS consider the relatively thin but continuous reservoir sands to be of good quality (both in terms of permeability and porosity), to have less risk of water under-ride and therefore good vertical sweep and displacement efficiency. However, RPS has broadly applied, across the full field, concerns over management of individual reservoirs if required to commingle from several zones, and also over small offsets from the free water levels that imply some producing zones may be in the transition zone with mobile water. These can only be dispelled with longer term production. Also, the evaluation was limited to the plans contained in the approved Full Development Plan (FDP), which was originally submitted in 2010 and assumes both a lower STOIIP than currently calculated and fewer wells than are planned to be drilled over the next three to five years. The JOC is in the process of updating the FDP for the results of the wells and performance to date.

The independent assessment will continue, factoring in new data from the additional wells in 2013 and from the gas sales agreement that is close to finalisation. Thus, adjustments to the Company's published reserves, if any, will be made during 2013.

SOCO believes that additional drilling and longer term production will continue to de-risk the field and impact positively on both the total number of reserves and recovery factors. Recovery factors are anticipated to be 45-50%, as has already been seen in similar producing horizons in other producing fields in the same basin.

Ca Ngu Vang (CNV), Block 9-2
The CNV field is located in the western part of Block 9-2, offshore Vietnam and is operated by the HVJOC. The field has been on stream since 2008 and has been producing at stable rates with CNV production net to the Company's working interest averaging approximately 2,139 BOEPD in 2012 (2011 - 2,283 BOEPD). In contrast to TGT, the CNV field is a fractured granitic Basement field which produces highly volatile oil from fractured Basement reservoir with a high gas to oil ratio and exploitation is dependent on the fracture interconnectivity to efficiently deplete the reservoir. Accordingly, traditional reservoir properties and STOIIP calculations are not straightforward and a further well will be required to allow assessment of the revised full reserve potential of this field.

Hydrocarbons produced from CNV are transported via subsea pipeline to the Bach Ho central processing platform (BHCPP) where the wet gas is separated from crude oil and transported via pipeline to an onshore gas facility for further distribution. The crude oil is stored on a FPSO prior to sale. At the BHCPP, dedicated test separation and metering facilities have been installed and commissioned. A long term production test to validate the newly installed system has been completed and analysis is near complete, which together will allow more accurate measurement of liquid and gas production entering the BHCPP and ensure the more accurate allocation of produced hydrocarbons from the CNV field within the Bach Ho system.

Although the draft 2013 Work Programme and Budget includes a CNV-7P well, at this point HVJOC's final 2013 Work Programme and Budget remains to be formally approved while updates to the CNV Full Field Development Plan proceed through the formal Government approval process. Thus, once clarity on this issue has been reached, the independent reserves review of CNV can be completed.

Review of Operations continued

Serge Lescaut,
General Manager, Africa Region

Africa

Republic of Congo (Brazzaville)

The Group's interests in Congo (Brazzaville) are held through its 85% owned subsidiary, SOCO Exploration & Production Congo SA (SOCO EPC).

Marine XI

The Marine XI Block is located offshore in the shallow waters of the Lower Congo Basin, offshore Congo (Brazzaville). SOCO EPC holds a 40.39% interest in Marine XI and is the designated operator of the Block.

From an analysis of the results of previously acquired data on the Block, incorporating the results of the Lideka Marine 1 well drilled by the previous Block concession holder, the Marine XI partners have agreed to drill the Lideka Marine East 1 well. This well will be a test of stacked plays and will test both the structural closure updip from an oil leg encountered in the Sendji Formation in the Lideka Marine 1 well that was drilled two kilometres to the west and also the large untested structural closure in the overlying Tchala Formation.

Originally scheduled to be drilled in the latter part of 2012, the rig sharing slot ceased to be available. Preparation is underway to proceed with a replacement rig sharing slot available in the second half of this year.

Marine XIV

The Block Marine XIV is located offshore in the shallow waters of the Lower Congo Basin. The Marine XIV partners determined that they would not enter into a second exploration phase and accordingly have relinquished the Block back to the Government of Congo (Brazzaville). SOCO EPC held a 29.4% interest in the Block up until the time of relinquishment.

Nanga II A

The Group has been awarded an exploration licence over the Nanga II A Block under a "Prospection Decree" which was issued on 11 October 2012. The Nanga II A Block covers 687 square kilometres and is located onshore Congo (Brazzaville), adjacent to the coast and near the M'Boundi producing field.

Since announcing its plans to conduct an aeromagnetic survey followed by a 3D seismic survey on the area, the Group has taken receipt of data acquired by prior operators. Evaluation of the aeromagnetic data is underway along with reprocessing of the seismic data, both of which will contribute towards the potential acquisition of a new seismic programme.

The exploration licence is valid for one year by which time the Company will determine whether to enter into a production sharing contract.

Democratic Republic of Congo (Kinshasa)(DRC)

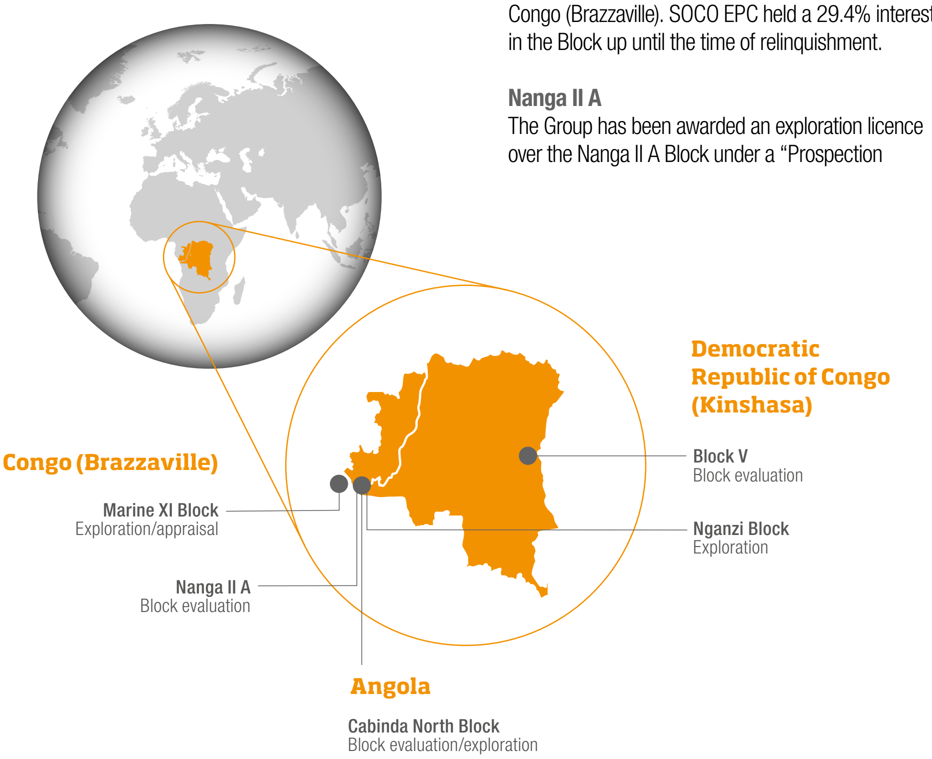
SOCO holds its interests in the DRC through its 85% owned subsidiary SOCO Exploration and Production DRC Sprl (SOCO E&P DRC).

Block V

Block V is a 7,500 square kilometre area located onshore in the geological southern Albertine Graben of eastern DRC, in the North Kivu region adjacent to the border with Uganda. Block V encompasses an area of the Virunga National Park, a World Heritage Site, and includes part of Lake Edward.

During 2012, preparations were ongoing for an aerial survey to be conducted over Lake Edward and the adjacent lowland area. The aerial survey, which is the only exploration activity planned at this time, was approved by the DRC Government within the context of its Strategic Environment Evaluation of the Albertine Rift area. The aerial survey will involve a helicopter flying over Lake Edward and the adjacent lowland savannah to gather magnetic and gravity information. The helicopter will not touch down in the Virunga National Park, and the highland area that forms the Mountain Gorilla habitat is not within the helicopter flight path. There is no reason for any flora or fauna to be impacted as a direct result of this phase of the Company's activities.

In parallel with the aerial survey, SOCO will carry out several environmental baseline studies (for example: an inventory of hippopotami and fish and mollusc studies on Lake Edward). These studies have been determined through close collaboration with the Congolese Wildlife Authority (also known as Institut Congolais pour la Conservation de la Nature or ICCN) and the Congo Environmental Studies Group (also known as Groupe d'Etudes Environnementales du Congo or GEEC). During this preliminary phase of exploration, SOCO has been granted access on a limited and managed basis to the Virunga National Park under an agreement with ICCN signed in May 2011.




BARITE
WELL OIL
FLARE DELUGE
AIR
GAS

Review of Operations continued

The Company has pursued new projects in regions where SOCO already has a presence and continues to evaluate other projects in new areas of interest.

Throughout the year, we have actively engaged with stakeholders who have an interest in our operations in Virunga in order to better understand their concerns, correct inaccuracies and reassure local communities. During 2012, we continued a programme of engagement with local communities around Lake Edward and found the response to be very positive.

Due to the deterioration in the security situation in the North Kivu region, the aerial survey has not yet commenced. SOCO's logistics base and helicopter landing site were relocated from Ishasha in the DRC to Kihihi in Uganda in September 2012 and a temporary withdrawal of personnel occurred when Goma fell under rebel occupation.

The security situation is being assessed on a continual basis and whilst SOCO remains committed to carrying out its contractual commitment to carry out the aerial survey, we will only proceed when the assessment is that it is safe to do so.

In July 2012, SOCO E&P DRC increased its interest in the Block V licence to 85% by acquiring the 46.75% interest held by Ophir Energy Plc. The remaining 15% interest is held by Cohydro, the national oil company of the DRC.

Nganzi

The Nganzi Block is an 800 square kilometre area situated onshore in the geological North Congo Basin in the Bas Congo region of western DRC. SOCO E&P DRC holds a 65% participating interest in the Nganzi Block and is the designated operator.

Reprocessing of the data acquired from the 2D seismic acquisition programme is ongoing using Prestack Depth Migration technology. Preliminary results have been returned with completion expected during the first quarter of 2013. This technology produces higher quality data by using segmented velocity information to enhance seismic images of sub-surface features, which should result in a clearer subsurface image allowing a more accurate interpretation and well targeting. These data, along with results from the first drilling campaign will be the basis for making a drill or drop decision later this year.

Angola

SOCO holds its interests in the Angolan enclave of Cabinda through its 80% owned subsidiary, SOCO Cabinda Limited, which holds a 17% participating interest in the Production Sharing Agreement for the Cabinda Onshore North Block.

Cabinda North

Interpretation of the data acquired from the 2D seismic acquisition programme was completed during the year. Preparation has now commenced for the drilling of the 20-6 and 20-7 exploration wells in Dinge area. Drilling is expected to start mid-2013.

As announced in September 2012, the Group has entered into a conditional agreement to sell its ownership of SOCO Cabinda Limited. The option expiry has been extended and the final terms for closing are under negotiation.

Financial Review

INCREASE IN PRODUCTION PLACES THE COMPANY IN A VERY STRONG FINANCIAL POSITION

The 2012 income statement illustrates how the Company has evolved since the commencement of production from the Te Giac Trang (TGT) field in Block 16-1 offshore Vietnam in the second half of 2011. With a full year of production in 2012 from the H1 Well Head Platform (WHP) and approximately six months of production from the more recently installed H4-WHP, revenue and net profit have grown to $621.6 million and $207.0 million in 2012, up from $234.1 million and $88.6 million, respectively, in 2011 when there was approximately only four months of production from the H1-WHP.

The TGT field is now producing oil at rate ranging from 52,000 to 55,000 barrels of oil per day (BOPD) in addition to the approximately 8,000 barrels of oil equivalent per day (BOEPD) being produced from the Group's nearby Ca Ngu Vang (CNV) field. During the year the Group's net entitlements production volume averaged approximately 15,500 BOEPD compared with approximately 6,700 BOEPD during 2011. This increase in production, along with the expectation that production capability is set to increase further during 2013 as gas separation facilities are commissioned at CNV and gas sales commence from TGT, places the Company in a very strong financial position. Demonstrating the Board's commitment to and continued confidence in the Group's Vietnam assets the Company purchased for $95.0 million the remaining 20% non-controlling interest in SOCO Vietnam Ltd, which holds the Group's interest in CNV and the majority of its interest in TGT. Additionally, the Company's financial strength enabled management to continue to take advantage of the negative macro investor sentiment to build shareholder value by utilising surplus cash balances to buy back a further 7.5 million of its own shares bringing the total number of shares held in treasury to 9.1 million at the end of 2012. Despite these significant cash outflows and the Group's ongoing capital programmes, cash, cash equivalent and liquid investments totalled $258.5 million at year end 2012 up from $160.1 million at the end of 2011.

Income Statement

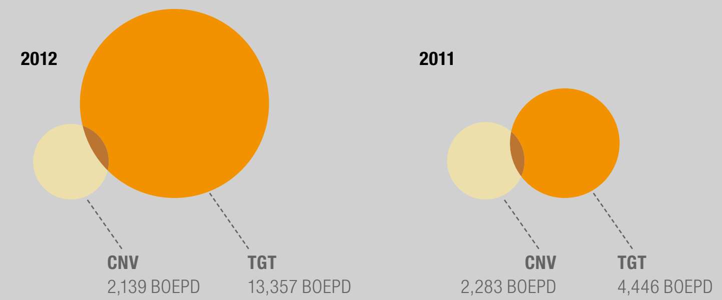
Operating Results

Revenue

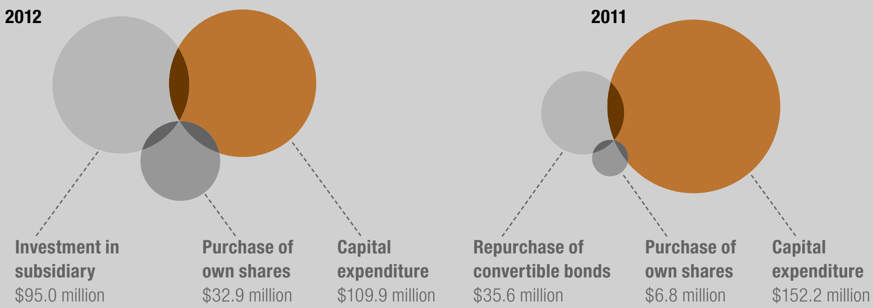
Revenue from oil and gas production from the Group's South East Asia production assets in Vietnam was $621.6 million compared with $234.1 million in 2011. This increase is mainly due to a full year of production from the TGT H1-WHP and approximately six months from the TGT H4-WHP versus approximately four

Contributions to Income

(based on net entitlement volumes)



Significant Components of Cash Outflow



See also
p26 Risk Management Report
p68 Financial Statements

months' production from the H1 platform only in 2011. The Group's working interest share of production during 2012 was 14,757 BOEPD up from 5,437 BOEPD in 2011. Cost recoupment associated with the Group's cost carry of PetroVietnam on Block 16-1 was fulfilled in the first half of 2012 by receiving higher entitlement volumes totalling 15,496 BOEPD from both TGT and CNV. In addition to the increased production the Group was able to benefit from an oil price that averaged nearly $118 per barrel of oil sold compared with approximately $113 per barrel in 2011.

Cost of Sales

Cost of sales in 2012 was $161.1 million arising from a full year of operations on the TGT and CNV fields compared with $67.8 million in 2011 that included just four months of operational activity on the TGT field. Of this increase $28.7 million is associated with production operating expenses of the TGT field. TGT inventory movements reduced cost of sales in 2012 by $6.1 million as compared to 2011 mainly associated with the timing of liftings and the market value of oil inventory. Total CNV production operating costs were similar to prior year; however charges to cost of sales caused by inventory movements were $3.4 million less than in the prior year.

Royalties on oil sales were $32.5 million higher in the year to 31 December 2012 compared with 2011 due to higher TGT oil sales. As most cargos of oil from the TGT field in 2012 were sold outside of Vietnam, these sales incurred export duty amounting to $19.8 million, up from $6.4 million in 2011, while all CNV oil sales in 2012 and 2011 were for the domestic Vietnam market. Finally, depreciation, depletion and decommissioning costs (DD&A) were $45.1 million in 2012 compared with $19.3 million in 2011, primarily due to higher volumes produced from the TGT field.

Operating costs on a per barrel basis (excluding DD&A, inventory movements and sales related duties and royalties) were approximately $8.80 per barrel versus approximately $9.40 per barrel in 2011. The primary cause of the decrease is related to the higher production volumes on the TGT field which has dedicated production and processing facilities on the floating production storage and offloading vessel (FPSO), the costs of which are predominately fixed, offset by additional workovers in 2012.

On a per barrel entitlement basis DD&A in 2012 was similar to 2011 at approximately $7.90 per barrel.

Financial Key Performance Indicators

	2012	2011	2010
Realised oil price per barrel ($)	**117.76**	112.94	75.66
Operating cost per barrel ($)	**8.83**	9.42	12.41
DD&A per barrel ($)	**7.94**	7.86	6.68
Basic earnings per share (cents)	**62.7**	26.4	30.9
Diluted earnings per share (cents)	**62.6**	26.3	28.4

See the Five Year Summary on pages 94 to 95 for definitions

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

Administrative Expenses

Administrative expenses increased to $12.3 million for the 12 months to December 2012 up from $9.4 million in 2011. This increase reflects the increased scope and scale of the Group's activities, including a corporate office relocation and the cost of additional internal and external manpower. Additionally, a lower proportion of corporate resources has been utilised on Vietnam development in the second half of 2012 with the start-up of production operations, and a higher proportion dedicated to evaluating new projects.

Operating Profit

The above factors result in an operating profit arising from the Group's production operations for 2012 of $448.2 million versus $156.9 million from operations in 2011.

Non-Operating Results

The decrease in other gains and losses in 2012 to $1.5 million from $3.3 million in 2011 was primarily due to a lower gain in 2012 on the change in fair value associated with the subsequent payment amount tied to future oil production from the Group's divested Mongolia interest.

Although total interest charges have reduced following the cancellation of convertible bonds in 2011 and 2012 (see Note 23 to the financial statements), finance costs have increased from $2.7 million in 2011 to $5.1 million in 2012 as, prior to start-up of production operations in TGT in August 2011, interest charges associated with capital expenditure in TGT were capitalised in accordance with IAS 23 Borrowing Costs (see Note 4 to the financial statements). Subsequently all finance costs have been expensed in the income statement.

Tax

Tax increased from $70.0 million in 2011 to $238.6 million in 2012 due to the increased oil sales following a full year of production from the TGT field in 2012. The effective tax rate in Vietnam during 2012 approximated the statutory rate of 50%, up from 44% in 2011 as, in 2011 there was a greater proportion of non-taxable income relating to Block 16-1 cost recoupment from PetroVietnam.

Profit for the Period

The Group's profit after tax in 2012 was $207.0 million, up from $88.6 million in 2011. Basic and diluted earnings per share increased from 26.4 cents in 2011 to 62.7 cents in 2012 and from 26.3 cents in 2011 to 62.6 cents in 2012, respectively.

Balance Sheet

Intangible assets increased by $6.6 million, predominantly reflecting the $42.9 million cost in the year resulting from the Group's exploration activity in Africa, partially offset by a transfer to assets held for sale relating to the disposal of the Cabinda asset (see Note 12 to the financial statements).

Financial Review continued

Property, plant and equipment increased by $23.0 million mainly associated with the Group's South East Asia segment where capital expenditure was focused on the TGT H4-WHP installation and related development drilling. Further, the decommissioning asset was increased during the year in relation to TGT, along with the decommissioning provision described below. These capital additions were partially offset by DD&A charges in the year.

The year end inventory balance increased from $10.2 million in 2011 to $11.1 million in 2012, and trade and other receivables decreased from $79.8 million at year end 2011 to $72.2 million at 31 December 2012, both consistent with the timing of oil cargo liftings and oil prices. SOCO's cash, cash equivalents and liquid investments increased by $98.4 million during 2012 as the Group utilised increased cash balances generated from operations to fund development capital expenditure and buy back shares.

Assets of $36.3 million classified as held for sale at the end of 2012 relate to the disposal of the Group's Cabinda asset along with associated liabilities of $1.6 million. See Note 12 to the financial statements for further information.

The Group's trade and other payables decreased from $49.5 million at the end of 2011 to $34.3 million at 31 December 2012 reflecting the reduced activity of the exploration and development programmes in both Africa and Vietnam. Tax payables increased from $13.5 million last year end to $21.4 million this year end consistent with timing and volumes of liftings in Vietnam where tax is paid on each cargo lifted.

As at 31 December 2012, the Group's only debt was the outstanding convertible bonds with a par value of $47.8 million, the liability component being $47.2 million (2011 – $46.6 million). The convertible bonds were issued in 2006 at a par value of $250.0 million. During 2012, the Company repurchased and cancelled bonds with a par and carrying value of $0.9 million for consideration of $0.9 million resulting in no gain or loss. During 2011, the Company repurchased convertible bonds in the market with a par value of $35.4 million, at a cost of $35.6 million. A gain of $0.3 million was recognised on cancelling the repurchased bonds. Previously, the Company redeemed $165.9 million following the exercise of bond put options on 16 May 2010. The remaining bonds mature in May of this year. See Note 23 to the financial statements for further details.

Deferred tax liabilities increased to $113.3 million at 31 December 2012 from $37.5 million year end 2011, mainly due to accelerated tax depreciation and other timing differences associated with Block 16-1, Vietnam. Long term provisions related to the Group's decommissioning obligations in South East Asia have increased from $32.7 million at the end of 2011 to $42.7 million due to increased provisions reflecting the installation of facilities and development well drilling activity on the TGT field during 2012, as well as updating of decommissioning cost estimates relating to TGT.

Cash Flow

The Group's operating cash flow increased from $90.2 million in 2011 to $334.8 million in 2012 mainly due to the contribution of production from the TGT field as described above. Capital expenditures reduced from $152.2 million in 2011 to $109.9 million in 2012. This reflects installation of the TGT H4-WHP that was completed mid-year 2012, and the lower expenditure on the exploration programme in the Group's Africa region where no wells were drilled during the year as compared with the two wells drilled offshore the Republic of Congo (Brazzaville) in 2011, offset by the acquisition of a further 46.75% interest in Block V, onshore eastern Democratic Republic of Congo (Kinshasa). The Company took advantage of its significant cash balances by acquiring the non-controlling interest in SOCO Vietnam Ltd, which holds the Group's interest in CNV and the majority of its interest in TGT, for $95.0 million (see below and Note 17 to the financial statements). Further, the Company purchased 7.5 million of its own shares into treasury at a cost of $32.9 million and repurchased convertible bonds at a cost of $0.9 million. The Group ended the year with cash, cash equivalents and liquid investments of $258.5 million, up from $160.1 million at the end of 2011.

Dividend

The Directors are not recommending a payment of a dividend in respect of 2012 (2011 - nil). However, the Board expects to recommend a sustainable return of capital to shareholders during 2013, the level of which will be determined pending JOC approvals of a 2013 Work Programme and Budget for CNV and TGT and incorporating results of the upcoming capacity test of the FPSO.

Key Performance Indicators

SOCO uses a number of financial and non-financial 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 94 where the KPIs are defined.

Own Shares

The SOCO Employee Benefit Trust (the Trust) holds ordinary shares of the Company (Shares) for the purpose of satisfying long term incentive awards for senior management. At the end of 2012, the Trust held 3,666,213 (2011 – 4,156,922) Shares, representing 1.08% (2011 – 1.22%) of the issued share capital (see Note 26 to the financial statements).

Following the share placement in 2010 of 28,937,388 Shares at a price of £3.525 per Share, the Company repurchased 1,497,852 Shares in 2011 at an average cost of £2.903 per Share and a total cost of $6.8 million. During 2012 the Company repurchased a further 7,514,416 Shares at an average cost of £2.784 per Share and a total cost of $32.9 million. As at 31 December 2012, the Company held 9,122,268 (2011 – 1,607,852) treasury Shares, representing 2.68% of the issued share capital (see Note 26 to the financial statements).

Going Concern

SOCO's business activities, its financial position, cash flows and liquidity position, together with an outlook of factors likely to affect the Group's future development, performance and position are discussed above and in the Chairman's and Chief Executive's Statement and Business Review on pages 4 to 8 and 14 to 29, respectively. The Group has a strong financial position and based on future cash flow projections should comfortably be able to satisfy its debt obligations (as set out in Note 23 to the financial statements) and continue in operational existence for the foreseeable future. Consequently, the Directors believe that the Group is well placed to manage its financial and operating risks successfully despite the current economic environment and have prepared the accounts on a going concern basis as described in the Annual Report of the Directors on page 45.

The Group is well placed to manage its financial and operating risks successfully despite the current economic environment.

Risk Management Report

HOW WE MANAGE RISK DIRECTLY AFFECTS HOW WE DO BUSINESS

Long term shareholder value is dependent on the success of the Group's activities, which are directed towards the search, evaluation and development of oil and gas resources. Exploration for, and development of, hydrocarbons is speculative and involves a significant degree of risk involving multiple factors. Critical to ensuring the ongoing success of the Company in applying its three core strategic objectives of recognising opportunity, capturing potential and realising value is the identification, assessment and mitigation of the various risk factors.

Consequently, SOCO has a formal process in place to identify and mitigate risks applicable to an upstream oil and gas business. The Directors have ultimate responsibility for risk management with the Audit Committee providing detailed oversight. The Board has designated the Chief Financial Officer as the executive responsible for the Company's risk management function. He is supported in this task by the Chief Operating Officer and the Group Exploration Manager.

There is an ongoing process to identify, monitor and mitigate risk throughout the year with any new or changes to existing risks considered at each Audit Committee meeting. Annually, the Audit Committee undertakes a rigorous and detailed risk assessment wherein the Group's risk profile, including the mitigation measures in place to reduce risk to acceptable levels, is considered. This risk assessment is then presented to the Directors for full Board approval.

Risk management and the principal risks and uncertainties facing the Group are discussed in Note 4 to the financial statements. The Group's risk management policies and procedures are further discussed in the Corporate Governance Report on page 47.

Operational Risk

There are inherent risks in conducting exploration, drilling, and construction operations in the upstream industry. The level of risk is potentially impacted by harsh geographical conditions and associated resource availability and costs. SOCO seeks to mitigate its operational risks through the application of industry best practice procedures throughout its operations. Mitigation may also be achieved by transferring risk, for example, by entering into partnerships or farm-outs and by maintaining, at a minimum, standard industry best practice insurance. 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 believes that SOCO's comprehensive property, control of well, 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.

Empowerment Risk

The Group's international portfolio comprises oil and gas ventures in widespread, often remote locations with government and industry partners. Conduct of operations requires the delegation of a degree of decision making to partners, contractors and locally based personnel. As operator in a project, SOCO can directly influence operations and decision making. Where SOCO is a co-venturer it seeks to maximise its influence through active participation with management, including direct secondments and application of internal control best practice under a procedural framework.

Reserves Risk

As discussed in Note 4 to the financial statements, the Company uses standard recognised evaluation techniques to estimate its proven and probable oil and gas reserves. However, such techniques have inherent uncertainties in their application. As the Company has projects with booked reserves in the early stages of production or development, upward or downward revisions to reserve estimates will be made when new and relevant information becomes available. Such revisions may impact the Group's financial position and results, in particular, in relation to depreciation, depletion and decommissioning costs and impairment.

Portfolio management through exploration, appraisal or acquisition may fail to yield reserves in commercial quantities sufficient to replace production. The Group continues to evaluate projects in existing and potentially new areas of interest and will add exploration licences when the appropriate opportunities arise.

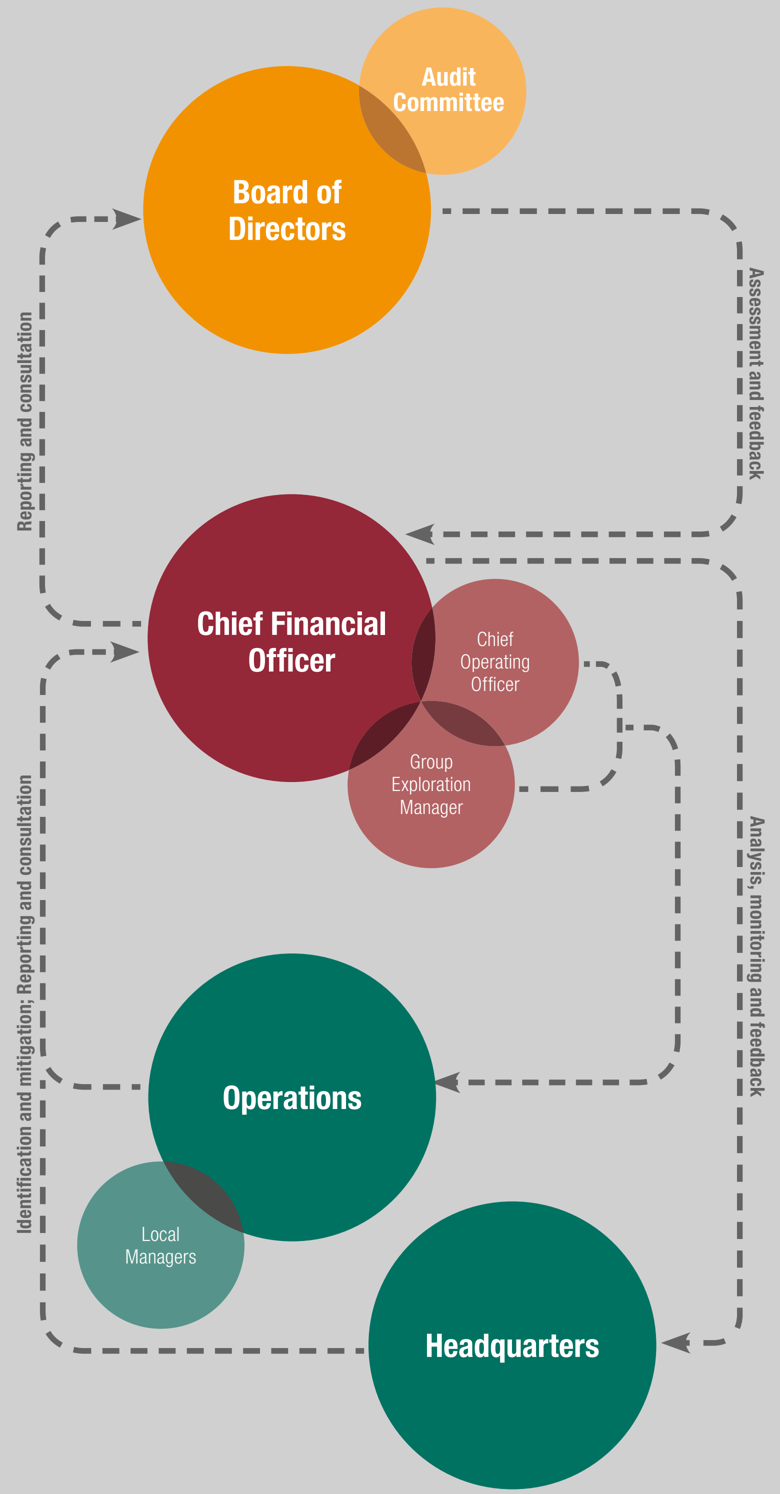
Health, Safety, Environment and Social Risks

The Group operates in an industry sector with inherent high risks associated with health, safety and the environment. Additionally, it operates in regions where there is a greater risk of economic or social instability and where local attitudes to risk differ compared with nations with more established or developed economies. Accordingly, the Group may be exposed to specific risks in relation to social and environmental factors as well as health and safety matters, including security, and attempts to mitigate such risks by actively engaging with local communities and governments, using specialist consultants and by maintaining appropriate policies and procedures. Further details of how SOCO addresses these risks can be found in the Corporate Responsibility Report on pages 32 to 37.

Political and Regional Risk

Many of the Group's projects are in developing countries or countries with emerging free market

An ongoing process to identify, monitor and mitigate risk



systems where the regulatory environment may not be as mature as in more developed countries. There may be a high level of risk in relation to compliance with and interpretation of emerging hydrocarbon law, taxation and other regulations. SOCO seeks to minimise such risks by using in-country professional advisors and by engaging directly with the relevant authorities where appropriate. Some of the Group's interests are in regions identified as potentially more susceptible to business interruptions due to the consequences of possible unrest. 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 insurance or associated business interruption insurance 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 insurance cover.

Business Conduct and Bribery Risk

SOCO operates both in an industry sector and in certain countries where the promotion of transparent procurement and investment policies is perceived as having a low priority and where customary practice may fall short of the standards expected by the UK Bribery Act. The Group seeks to mitigate these risks by ensuring that it has appropriate procedures in place to eliminate bribery and that all employees, agents and other associated persons are made fully aware of the Group's policies and procedures with regard to ethical behaviour, business conduct and transparency.

Running in parallel with the Group's general risk management process, the Audit Committee has established a detailed bribery risk assessment and mitigation reporting procedure. Bribery risks are monitored throughout the year along with implementation of procedures to mitigate any new risks identified. The Company has arrangements for "whistleblowing", whereby staff may raise concerns regarding improprieties in confidence, which would be addressed with appropriate follow-up action. To facilitate such reporting the Company has introduced an Ethics Hotline Service using an independent, confidential telephone service that can be used by staff members and other stakeholders to report a suspected breach of SOCO's Code of Business Conduct and Ethics.

Risk Management Report continued

Reputational Risk
The Group operates in locations where social and environmental matters may be highly sensitive both on the ground and as perceived globally. This can potentially lead to a reputational risk which may influence various Group stakeholders. However, SOCO works closely with all of its stakeholders including local communities, governments and non-governmental organisations to ensure that, during operations, any disturbance is minimised and that on completion of the Group's activities the local population and environment will be left in, at least, as good a state as when SOCO first arrived. See the Corporate Responsibility Report on pages 32 to 37 for further information.

Commodity Price Risk
The Group does not currently 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 an 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. 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.

Foreign Currency Risk
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. From time to time the Company 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 Group's convertible bonds are denominated in US dollars. The impact of a 10% movement in foreign exchange rates on the Group's net assets as at 31 December 2012 would not have been material (2011 – not material) and would not have been material with respect to the Group's profit in 2012 nor 2011.

Liquidity and Credit Risk
The Group carried significant cash balances throughout the year thereby increasing its exposure to liquidity and credit risk. To mitigate these risks and to protect the Group's financial position cash balances are generally invested in short term, non-equity instruments or liquidity funds, not exceeding three months forward. On occasion the Company may

benefit from higher returns by investing surplus cash into liquid investments not exceeding six months. Investments are generally confined to money market or fixed term deposits in major financial institutions.

The Group's maximum exposure to credit risk as at 31 December 2012 was $370.8 million (2011 – $277.0 million). The Group's non-current financial asset that is subject to credit risk comprises a financial asset arising in respect of the Group's disposal of its Mongolia interest (see Note 18 to the financial statements). 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 and liquid investments in multiple institutions. The level of deposits held by different institutions is regularly reviewed.

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's ability to satisfy its debt obligations and to pursue its operational objectives is discussed in the Financial Review. The Group seeks to minimise the impact that any debt financings have on its balance sheet by negotiating borrowings in matching currencies (see Note 23 to the financial statements). 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, cash equivalents and liquid investments at floating and fixed rates. Fixed rate interest is charged on the Group's convertible bonds (see Note 23 to the financial statements). The fair value of the Group's non-current financial asset (see Note 18 to the financial statements) is also dependent on the discount rate used. Management assesses 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 2012 would decrease or increase by $1.8 million (2011 – $2.1 million).

Contractual Risk

The Group enters into various contractual arrangements in the ordinary course of its business. Such contracts may rely on provisional information that is subject to further negotiation at a later date. This may give rise to uncertainty regarding such information. In considering any financial impact on the Group's financial statements, income, expenses, assets and liabilities are recognised in accordance with applicable International Financial Reporting Standards and International Accounting Standards.

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 23 to the financial statements), cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 25, 26 and 27 to the financial statements and in the Statement of Changes in Equity. During the year the Company purchased 7,514,416 (2011 – 1,497,852) of its own ordinary shares, of £0.05 each, into treasury (see Note 26 to the financial statements) and repurchased and cancelled convertible bonds with a par value of $0.9 million (2011 – $35.4 million) (see Note 23 to the financial statements).

SOCO has a formal process in place to identify and mitigate risks applicable to an upstream oil and gas business.

CORPORATE RESPONSIBILITY

6

SOCO is committed to high standards of ethical business conduct and to managing its operations responsibly and sustainably.

Corporate Responsibility at SOCO

OUR GUIDING PRINCIPLE: A NET POSITIVE CONTRIBUTION

Our business is guided by an overarching principle: to make a net positive contribution through balancing the needs for energy security, economic development, social improvement and protection of the environment.

Our Approach

SOCO International is committed to being a positive presence in the countries where we operate, guided by a responsible approach to oil and gas exploration and production.

Our commitment to corporate responsibility is an integral part of our business strategy:

- **Recognising opportunity** relies on building strong relationships and being welcomed as a responsible partner by host governments and local communities.
- **Capturing potential** means applying our expertise, particularly in the management of risks such as health and safety, security and environmental issues.
- **Realise value** through locking in returns also creates value for society. Our guiding principle is to make a net positive contribution.

Our business creates value for society through investment in developing countries, providing stimulus for local economies, the creation of jobs, training for local people, investment in social projects, payment of fees and taxes to host governments and the preservation of the natural environment.

Our international oil and gas interests are in Vietnam, the Republic of Congo (Brazzaville) and the Democratic Republic of Congo (Kinshasa) (DRC). Many of our operations, specifically those in Africa, are at the earliest stages of exploration prior to the onset of drilling or production activities.

The most material change operationally in 2012 was the coming on stream of a second part of the TGT oil field in Vietnam. The operator is the Hoang Long Joint Operating Company. SOCO's influence is through our membership of the operator's Management Committee as well as through the organisation's key senior staff members that are SOCO secondees. We recognise that the changes to our activity in 2012 need to impact our approach to reporting. For the first

Our three-part core strategy expresses our corporate responsibility commitment

A successful project can transform not only a company but also the economic and social well being of a host country by contributing to its ability to produce and supply its own natural resources.

We recognise that built into the heart of this opportunity is the business imperative to act responsibly.

time this year, we have included greenhouse gas emissions reported from the Joint Operating Companies (see Environmental Management).

Partnership and Influence

We partner with host governments through their state oil companies in all of our projects, as well as with other companies. We believe that this partnership approach brings benefits to both parties.

Our strategic alliances mean that our portfolio varies by:

a) our degree of ownership

b) our level of operatorship

Our guiding principle is applied across all of our projects. But our ability to influence and implement programmes varies between projects.

Where we are the operator, our influence is high. Where we are a minority owner and non-operator, we seek to influence our partners to integrate responsible business practices into the project.

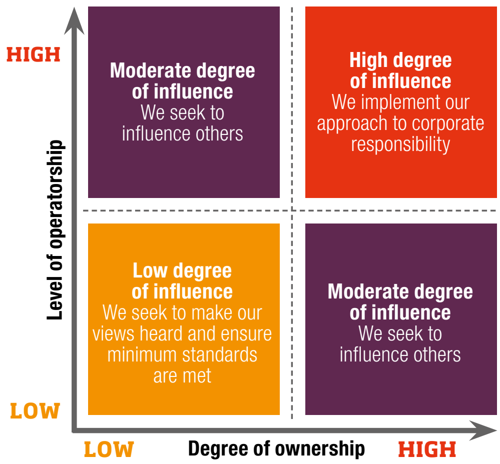
Governance

Our commitment to creating a net positive contribution requires us to put in place robust systems and processes to govern our corporate responsibility programmes.

This enables us to live out our values on the ground, monitor our progress and learn from our experiences to improve our approach.

The Chief Executive Officer is responsible for our corporate responsibility performance. Relevant issues are considered by the Board through a specific item on the agenda at each meeting. Management of the day-to-day implementation is through our country managers, led by the Chief Operating Officer. The effectiveness of our risk management and controls over our corporate responsibility programme is formally assessed annually and reviewed periodically by the Audit Committee.

Our approach to corporate responsibility is tailored to individual projects based on our degree of influence



Block	Ownership	Operatorship
● **Marine XI:** Congo (Brazzaville)	40.39%	Operator – SOCO
● **Nganzi Block:** Western DRC	65.00%	Operator – SOCO
● **Block V:** Eastern DRC	85.00%	Operator – SOCO
● **Block 9-2:** Vietnam	25.00%	Joint Operating Company
● **Block 16-1:** Vietnam	30.50%	Joint Operating Company
● **Cabinda North Block:** Angola	17.00%	Non-Operator

Creating value for host countries and local communities, responsibly

Oil and gas companies have a central role in today's global energy supply. SOCO International can be a powerful force for economic development. Through our business, we create jobs, provide training and skills and support local communities.

A successful project can transform not only a company, but also the economic and social wellbeing of a host country by contributing to its ability to produce and supply its own natural resources. We recognise that built into the heart of this opportunity is the business imperative to act responsibly.

SOCO is committed to conducting our business in an honest and ethical manner and ensuring that the health and safety of people and the protection of the environment remain a business priority. Our goal is to be a positive presence whereby we build sustainable value for the host countries and local communities, as well as for our own shareholders.

Ed Story
President and Chief Executive Officer

Corporate Responsibility at SOCO continued

Human Rights Commitment
SOCO's commitment to the fundamental principles of human rights is embedded in our HSES polices and throughout our business processes. We promote the core principles of human rights pronounced in the UN Universal Declaration of Human Rights (UDHR).

We shall honour the internationally accepted labour standards of the International Labour Organisation (ILO) and be guided by the ILO Tripartite declaration of principles concerning multinational enterprises and social policy (MNE Declaration). We support and respect the protection of human rights within our sphere of influence. This sphere extends across our internal and external business environment encompassing our own workers and reaching out to our supply chain, affected communities and other stakeholders.

We respect the indigenous rights and cultures of the communities within our host countries as defined within the ILO Indigenous and Tribal Peoples Convention C169. We recognise the importance of engaging with our communities and set up local engagement programmes in all areas of operation. We have developed processes of engagement and procedures for addressing concerns and grievances.

Engaging with Stakeholders
We engage with stakeholders at an international, national and local level in order to better understand different viewpoints, listen to local concerns, adapt our programmes to meet local needs and communicate the activity that SOCO is undertaking.

Our stakeholders include: local communities where we operate; host governments and local authorities; our employees, contractors and business partners; and our shareholders and the investment community.

We have a formal process of stakeholder engagement in place to meet with local communities and we set shared goals with community representatives, ensuring that we get feedback on our approach. Where we do not directly control an operation, we work with our partners to ensure that communities in and around our operations are engaged.

Business Conduct and Ethics
Our Code of Business Conduct and Ethics sets out our values of honesty and fairness and promoting trust amongst those with whom we work. It applies to all our operations, irrespective of our level of ownership and control, and also extends to contractors and agents.

We consider environmental, ethical, health, security and safety criteria in our selection of suppliers and joint venture partners and have upgraded our contracts to ensure that suppliers have read and understood our approach.

We implement our Code through our Health, Safety, Environment, Social and Security (HSES) management system which covers ethical, social and environmental issues.

We follow a process of continually updating this system to ensure that it reflects the most important issues for the company, and anticipates any future risks. For example, during 2012, we continued to focus attention on procedures, guidelines and staff awareness in light of the UK Bribery Act and our Code of Business Conduct and Ethics. We are now reviewing how to strengthen the integration of biodiversity and human rights into our HSES management system to ensure that our systems remain fit for purpose. This includes, for example, working with our partners in Vietnam in preparation for the mandatory reporting of carbon emissions in 2014.

We remain vigilant in enforcing the standards set out in our Code of Business Conduct and Ethics. If an allegation of misconduct is reported to us, it will always be investigated. During 2012, we also invested in a new whistleblowing mechanism to ensure employees can report any concerns in a confidential manner through an Ethics Hotline which went live in early January 2013.

Exemplary Health and Safety Record in Vietnam

The Hoang Long and Hoan Vu Joint Operating Companies, operators of the Te Giac Trang (TGT) and the Ca Ngu Vang (CNV) fields, respectively, currently together make up the second largest producer of oil in Vietnam.

SOCO's influence is expressed through its membership of the operators' Management Committees as well as through the organisations' key senior staff members, including the senior managers and technical personnel that are SOCO secondees.

The TGT project alone has accumulated over five million manhours with zero lost time injuries (LTIs). This is a record of which we are proud and demonstrates how we bring our expertise and skills in risk management to facilitate natural resource extraction in a responsible manner that creates value for all involved.

5 million man hours

accumulated on the TGT and CNV projects without a LTI

Environmental Management

Our most significant environmental impacts come from our operations in Vietnam which are at the development and production phase.

The Hoang Long and Hoan Vu Joint Operating Companies, which are the respective operators of Block 16-1 and Block 9-2, have reported emissions resulting from the consortium's oil and gas production in 2012 as 154,567 tonnes of CO_2 equivalent in 2012.

We are mindful of the impacts of climate change and we are reducing flaring from our oil platforms and capturing liquids from our rigs to use as fuel by feeding it back into the system. By creating a closed loop, we can reduce our energy requirements, cut our costs and decrease our environmental footprint.

All wastewater and sewage generated from our drilling rigs and vessels was successfully treated prior to discharge throughout the year. All solid wastes were collected, segregated and transported to shore in compliance with Vietnamese regulations.

Our operations in Africa are at the exploration stage and therefore do not produce significant carbon impacts. However, we are mindful of high levels of interest in any potential future environmental impacts in the Virunga National Park.

0LTIs

in 2012

Safety and Training

There were no Lost Time Injuries (LTIs) during 2012 to our staff in any of our operations worldwide and the Lost Time Injury Frequency was nil.

We continued to undertake regular training in Health and Safety for all staff, including training drills for oil spills and participating in safety campaigns in Vietnam.

We have expanded our training in anti-bribery to all members of staff, including feedback and monitoring.

In Africa in 2012, we provided a wide range of formal training courses to our local workforce, including in leadership, first aid, accountancy and contracts. Whilst much of this training takes place locally, we also provide access to world-class international courses.

There were no Lost Time Injuries during 2012 to our staff in any of our operations worldwide and the Lost Time Injury Frequency was nil.

Corporate Responsibility at SOCO continued

Environmental Management in Virunga National Park

As part of our original application to the government in 2011, we undertook a full environmental impact study. Further to its Strategic Environmental Evaluation, the government of the DRC issued its Environmental Acceptability Certificate and approved our plans for an aerial survey.

As part of any aerial survey, we have put in place plans to carry out several further environmental baseline studies, such as an inventory of hippopotami, and fish and mollusc studies on Lake Edward. These studies have been determined through close collaboration with the Congolese Wildlife Authority (ICCN) and the Congo Environmental Studies Group (GEEC).

The aerial survey itself will involve a helicopter flying over Lake Edward and the adjacent lowland savannah to gather magnetic and gravity information. The helicopter will not touch down in the Virunga National Park. The Mikeno Sector that forms the Mountain Gorilla habitat is neither within the helicopter flight path nor our concession in Block V. We envisage there being no significant environmental impact from this aerial survey.

Looking ahead, depending on the results of this survey and the security situation, we will consider a seismic programme to map the geology. Whilst some companies use explosives, SOCO has ruled out doing so for seismic exploration. Instead, we plan to use compressed air from a boat which has minimal impact on marine wildlife.

Our activity throughout this stage is being overseen by a DRC government-appointed Environmental Monitoring Committee which is made up of representatives from the DRC Ministry of the Environment, Nature Conservation and Tourism, one delegate from GEEC and two from the ICCN.

We are committed to continuing to provide transparent information on the environmental impacts of our operations in Virunga and contributing to government and scientific understanding of how best to balance the needs for energy development, economic development and environmental protection.

SOCO IN VIRUNGA AND THE DRC

The Government of the Democratic Republic of Congo (DRC) has designated Block V for the purpose of oil and gas exploration. Although our activities are at the preliminary stages of exploration and no drilling is taking place, nor has been planned, we recognise that there is interest in how our activities will affect the livelihoods, flora and fauna of this section of the Virunga National Park.

Block V principally comprises an area around Lake Edward and specifically excludes the entirety of the Mikeno Sector, which forms the habitat of the famous Mountain Gorillas habitat. SOCO will never seek to have operations in the Virunga Volcanoes or the Virunga equatorial forest.

At the invitation of the DRC government, SOCO submitted an environmental and social impact assessment in 2011 and this was approved. An aerial survey was planned for 2012 but the deteriorating security situation in the area means that this has been postponed.

SOCO has been granted access to the Virunga National Park under an agreement with The Congolese Wildlife Authority (also known as Institut Congolais pour la Conservation de la Nature or ICCN), which exists to protect the park, its biodiversity and its people. SOCO pays a fee to the ICCN to monitor our activities whilst inside the park and contribute towards the cost of providing rangers.

Conflict and poverty are major challenges facing the area. We believe that responsibly conducted commercial activities can help alleviate the poverty and instability that has pervaded the region for decades and which are catalysts for activities that directly threaten the natural environment, such as poaching, bush meat and charcoal trading, illegal grazing and conflicts. Carefully managed operations and collaboration with other organisations and agencies involved in the area can assist in providing a measure of stability to a region even in the short term. Moreover, a successful project can transform the economic and social wellbeing of the residents; support the DRC's capacity to produce and supply its own natural resources; create jobs; and provide training, skills and investment in local communities.

In the event that our involvement does not extend into the development or production phase, we are committed, as we are in all areas in which we operate, to ensuring that our presence has an overall positive impact.

Engaging on Virunga

During 2012, we engaged, both through face-to-face meetings and correspondence, with representatives from international organisations including UNESCO, WWF, and Global Witness, and local environmental non-governmental organisations both in London and in eastern DRC, to better understand their perspectives and explain our activities.

At a local level, we continued a programme of visiting local communities on and near the shores of Lake Edward to better understand their needs and explain our operations in their area. We were accompanied on these visits by the Congolese Wildlife Authority in their capacity as independent monitors. We held over 10 villager meetings in 2012 and found the response to be very positive to this engagement.

We are committed to continuing the dialogue with all those stakeholders who have an interest in our operations in Block V in order to better understand their concerns, correct inaccuracies and reassure local communities.

Further information on how we are working with local communities and minimising our environmental impact is detailed in the relevant sections, and more information is available on our website.

www.socointernational.com

Above: During 2012, SOCO contributed to a charitable programme in Vietnam that provided shoes for school children

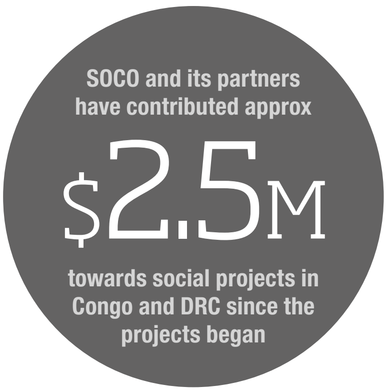
Social Investment

Our business success depends on building and maintaining the support of the local communities where we operate. We invest directly in communities in and around our projects and seek to ensure that support for local communities features in all of our contracts with host governments and joint venture partners. In addition to the social projects mandated in our contracts, we make additional, voluntary contributions to local causes. This is because we believe that strong, healthy and vibrant communities are good for the long-term success of our business.

During 2012, we focused on education and medical themes in our investments, through a series of projects in which we have built long-term relationships.

In Congo (Brazzaville), the major project accomplished with our partners in 2012 was the construction of a maternity clinic at Madingo-Kayes, 55 kilometres from Pointe-Noire. The project included the provision of medical equipment, medicines, a water well with a tank for storage and a power generator. We also completed a number of our longer term projects in the country, including construction of a water storage tank and delivery to the Petites Soeurs des Pauvres organisation in Brazzaville, and the drilling of a water well and installation of solar panels at the Anne-Marie Javouhey clinic in Pointe Noire. We also support a number of charities providing care for orphaned children, the elderly, destitute women and the disabled. SOCO has sponsored several community projects including a youth training programme and a children's tennis training course.

We continued in our support of communities around the Nganzi Block in the Bas Congo of western DRC. Major activity in 2012 included working with Heal Africa to support victims of sexual abuse; early HIV/AIDs testing; and supporting children orphaned through HIV/AIDs. In eastern DRC where SOCO's activities are still in the preliminary stages, SOCO sponsored a male and female football tournament in Ishasha in eastern DRC, which included support not only at a corporate level, but also through SOCO personnel being present and working closely with the local population to prepare the pitch.



In Angola in 2012, SOCO and its partners supported the construction of a medical centre at Simu-li-Conde located in the north west of our Cabinda North Block.

In Vietnam, we contributed to a wide range of projects with our joint venture partners during the year, with a particular focus on education. We also assisted with funds to support a medical centre, disaster relief, road construction and tree planting.

Tax

We recognise that interest is growing in how much tax companies pay, and where they pay it, particularly for multinational companies in the extractives sector.

As an international oil exploration and production company, we pay taxes and other levies in the countries in which we operate. During the exploration phase, such as in the DRC, this includes host country taxes on property, employment and consumption. It also includes any considerations for a particular concession, such as bonus payments and licence fees. At the onset of production, we additionally contribute through applicable taxes on profit, royalties on production and the Government's entitlement share of production.

Although all of our operations are outside the UK, our corporate headquarters are located in London. Accordingly, we pay the relevant UK taxes related primarily to property and payroll. Additionally, we are subject to profit tax in the UK in the case that the profit taxes paid overseas are at a lower rate than the rate of corporation tax in the UK.

We are committed to the Extractive Industries Transparency Initiative (EITI) in both Congo (Brazzaville) and the DRC. We participate in all EITI forums for those countries and annually provide details of all payments to or on behalf of the government, which are publicly available.

In recognition that SOCO and its partners had paid over and above US$50 million in taxes to the Vietnam Government during 2011, the HCMC People's Committee gave an award to SOCO, the proceeds of which were donated to a charitable programme providing shoes for school children.

Tax is just one part of the economic impact and value that we create. By partnering with host governments with an equity stake in projects through their national oil companies, our business success contributes to local government coffers in additional ways. The jobs we create, salaries we pay and training we provide are all part of our approach to creating value for all our stakeholders, responsibly.

GOVERNANCE

SOCO is committed to the highest standards of corporate governance.

About the Board

1. Rui de Sousa Ⓝ

Non-Executive Chairman, 57

Appointed: July 1999

Rui de Sousa has approximately 30 years' experience in the energy sector. He was formerly a director of Gazprombank-Invest (Lebanon) SAL, the Chairman of Carbon Resource Management Ltd and the President of Quantic Mining. Rui is currently a director of Quantic Limited.

2. Ed Story Ⓝ

President and Chief Executive Officer, 69

Appointed: April 1997

Ed Story has over 40 years' experience in the oil and gas industry, beginning with Exxon Corporation, where he held various positions including seven years resident in the Far East. He was formerly the Vice President and CFO of Superior Oil Company, a co-founder and Vice Chairman of Conquest Exploration Company and a co-founder and President of Snyder Oil Corporation's international subsidiary. Ed was a non-executive director of Cairn Energy PLC until 2008 and is currently a non-executive director of Cairn India Limited.

3. Roger Cagle

Executive Vice President, Deputy CEO and Chief Financial Officer, 65

Appointed: April 1997

Roger Cagle has over 35 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. He was formerly the Chief Financial Officer of Conquest Exploration Company and the Chief Financial Officer of Snyder Oil Corporation's international subsidiary. Roger is also a non-executive director of Vostok Energy Limited.

4. Michael Johns Ⓡ Ⓐ Ⓝ

Non-Executive and Senior Independent Director, 65

Appointed: June 2011

Michael Johns is a solicitor by profession with over 35 years' experience as partner at international law firms. Until his retirement in 2009, he was a partner at Ashurst LLP, where he specialised in a broad range of practice areas including corporate, corporate finance and energy law and was Head of Energy, Transport & Infrastructure. Michael was previously a partner at Withers for 13 years and more recently has served as a Director of Aer Lingus Group plc.

5. Olivier Barbaroux Ⓡ Ⓝ

Non-Executive Director, 57

Appointed: July 1999

Olivier Barbaroux has over 20 years' experience in the energy and utilities sector. He was the Chairman and CEO of Dalkia and a member of the Executive Committee of Veolia Environment until 2011. Formerly, he was the Managing Director of Compagnie Générale des Eaux, President and Chief Operating Officer of Vivendi Water S.A., the Head of the Energy Sector of Paribas and the Chief Executive Officer of the oil and gas production and exploration company Coparex International.

6. Cynthia Cagle

Executive Director, Vice President – Finance and Company Secretary, 58

Appointed: December 2012

Cynthia Cagle has over 30 years' experience in the oil and gas industry. She was one of the founders of SOCO International plc and has been an officer of the Group, and a Director of its significant subsidiaries, since its inception in 1997. Prior to joining SOCO, Cynthia gained her industry experience through senior accounting positions in Snyder Oil Corporation's international subsidiary, Conquest Exploration Company and Superior Oil Company, and additional financial experience with Texas Commerce Bancshares.

A PROVEN RECORD OF DIVERSE EXPERIENCE AND INSIGHT

Key:

Membership	Committees
● Committee chair	A Audit
● Committee member	R Remuneration
○ Committee advisor	N Nominations

7. Robert Cathery R N
Non-Executive Director, 68
Appointed: June 2001
Robert Cathery has over 40 years of City experience. He was formerly the 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. Robert is also currently a non-executive director of Vostok Energy Limited, Salamander Energy PLC and Central Asia Metals Limited.

8. Ettore Contini
Non-Executive Director, 38
Appointed: December 2001
Ettore Contini was formerly a director of Energia E Servize SpA and an asset manager in the private banking division of Banca del Gottardo. Ettore is currently also a director of Eurowatt-Commerce.

9. António Monteiro R A N
Non-Executive Director, 69
Appointed: June 2009
Ambassador António Monteiro has over 40 years of experience with the Portuguese Ministry of Foreign Affairs, including as Foreign Minister of Portugal, and with international organisations, including as UN High Representative for Elections in Côte d'Ivoire and as a member of the UN Secretary-General's Panel on the Referenda in the Sudan. He was formerly the Ambassador of Portugal to France and the Permanent Representative of Portugal to the United Nations, where posts included being President of the Security Council and of the Security Council's Committee established by Resolution 661 (1990). António is currently also Chairman of the Board of Directors of the Portuguese Bank Millenium BCP (Banco Comercial Português), a non-executive member of the Board of the Angolan Bank BPA (Banco Privado Atlântico), President of the Luso-Brazilian Foundation Curator's Council, member of the Faculty of Human and Social Sciences' General Council of the Universidade Nova de Lisboa and Chairman of the Advisory Council of Gulbenkian's Foundation Program for Development Assistance.

10. John Norton A N
Non-Executive Director, 75
Appointed: April 1997
John Norton is a Chartered Accountant by profession and was a partner at Arthur Andersen, heading the oil and gas practice in Europe, the Middle East and Africa, until his retirement in 1995. John was formerly also a member of the Oil Industry Accounting Committee and a director of the Arab-British Chamber of Commerce.

11. Mike Watts R A N
Non-Executive Director, 57
Appointed: August 2009
Dr Mike Watts is currently the Deputy Chief Executive of Cairn Energy PLC and has over 30 years' experience in the oil and gas industry. He was formerly the CEO and Managing Director of the Amsterdam listed Holland Sea Search, which was acquired by Cairn Energy PLC in 1995, and has held senior technical and management roles with Premier, Burmah and Shell.

In this section

POLICIES, PROCESSES AND STRUCTURES AT THE HEART OF SOCO

1 Annual Report of the Directors

HOW THE DIRECTORS ENSURE THE COMPANY OPERATES TO THE HIGHEST STANDARDS

Cynthia Cagle, Vice President – Finance and Company Secretary

The Directors present their annual report, along with the audited financial statements of the Group for the year ended 31 December 2012. Information on pages 2 to 37 and 47 to 56 is incorporated herein by reference and forms part of this Directors' report.

A Principal Activity and 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, Republic of Congo (Brazzaville), the Democratic Republic of Congo (Kinshasa) (DRC) and Angola. The subsidiary undertakings principally affecting the profits or net assets of the Group are listed in Note 17 to the financial statements.

The Business Review on pages 14 to 29 describes the performance and development of the Group's business during the year, its position at the end of the year and its future prospects. The principal risks and uncertainties facing the Group are set out in the Risk Management Report on pages 26 to 29. As set out in the Corporate Responsibility Report on pages 32 to 37, SOCO is committed to high standards of ethical business conduct and to managing its operations responsibly and sustainably. The financial and non-financial key performance indicators (KPIs) used by management are set out on pages 15 and 23, and are summarised along with pertinent definitions in the Five Year Summary on pages 94 to 95. The KPIs adopted in respect of personnel, health, safety and environmental measures reflect the small staff size and relatively small size and scope of projects directly operated by the Company. Additional KPIs will continue to be developed for reporting on these areas at an appropriate time in the evolution of SOCO's operations. Information about the use of financial instruments by the Company and the Group is included in Note 2(n) and Note 23 to the financial statements.

B Results and Dividends

The audited financial statements for the year ended 31 December 2012 are set out on pages 70 to 92. The Directors are not recommending a payment of a dividend in respect of 2012 (2011 - nil). However, the Board expects to recommend a sustainable return of capital to shareholders during 2013, the level of which will be determined pending Hoang Long and Hoan Vu Joint Operating Companies' approvals of a 2013 Work Programme and Budget for Ca Ngu Vang and Te Giac Trang and incorporating results of the upcoming capacity test of the floating, production, storage and offloading vessel.

C Directors

The business of the Company is managed by the Directors who may exercise all powers of the Company subject to the Articles of Association (Articles) and law. The Directors who held office during the year, and the dates of their current service contracts or letters of appointment, which are available for inspection, are listed in the table on page 44. All Directors held office throughout the year except as noted in the table. Relevant details of the Directors, which include their Committee memberships, are set out on pages 40 and 41. Further details of Directors, their interests in the shares of the Company, their interests in any contracts relating to the Company's business and Directors' contracts are included in the Directors' Remuneration Report on pages 57 to 65.

In accordance with the provisions of the UK Corporate Governance Code, all Directors will retire at the forthcoming Annual General Meeting (AGM) and, being eligible, offer themselves for reappointment. The process for consideration of Board appointments and reappointments is set out in the Corporate Governance Report on pages 47 to 56.

The Non-Executive Directors' fees, and SOCO's process for setting those fees, are set out in the Directors' Remuneration Report on pages 57 to 65. SOCO provides liability insurance for its Directors and officers. The annual cost of the cover is not material to the Group. The Company's Articles allow it to provide an indemnity for the benefit of its Directors, which is a qualifying indemnity provision for the purpose of section 233 of the Companies Act 2006 (2006 Act).

1 Annual Report of the Directors continued

Directors Holding Office during 2012

Director	Date of Contract
Rui C de Sousa Chairman	12.07.99
Michael C Johns* Senior Independent Director	23.06.11
Olivier M G Barbaroux*	12.07.99
Roger D Cagle	14.05.97
Cynthia B Cagle Appointed to the Board 05.12.12	14.05.97
Robert M Cathery*	19.06.01
Ettore P M Contini	11.12.01
António V Monteiro*	10.06.09
John C Norton*	14.05.97
Edward T Story	14.05.97
Michael J Watts*	21.09.09

* Denotes those determined by the Board to be independent Non-Executive Directors as described in the Corporate Governance Report on pages 47 to 56.

D 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.

E Contributions

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 32 to 37. The Company's policies prohibit political donations.

F Share Capital

Details of changes to share capital in the period and details regarding purchase of the Company's own shares into treasury are set out in Note 26 to the financial statements. The Directors believe that the acquisition of the Company's shares represented good value to shareholders, and will enhance earnings per share.

The Company currently has one class of share in issue, ordinary shares of £0.05 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 Articles 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 by the SOCO Employee Benefit Trust are not exercised. The Articles may only be amended by a resolution of the shareholders.

No shareholder, unless the Board decides otherwise, is entitled to attend or to vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if he or she or any person with an interest in shares has been sent a notice under section 793 of the 2006 Act (which confers upon public companies the power to require information with respect to interests in their voting shares) and he or she or any interested person failed to supply the Company with the information requested within 14 days after delivery of that notice. The Board may also decide that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered. These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant section 793 notice, whichever is earlier. The Directors may refuse to register any transfer of any share which is not a fully-paid share, although such discretion may not be exercised in a way which the Financial Services Authority regards as preventing dealings in shares of that class from taking place on an open or proper basis. The Directors may likewise refuse any transfer of a share in favour of more than four persons jointly.

The Company is not aware of any other restrictions on the transfer of ordinary shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws); and pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require approval of the Company to deal in the Company's shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights. Resolutions will be proposed at the 2013 AGM, as is customary, to authorise the Directors to exercise all powers to allot shares and approve a limited disapplication of pre-emption rights. Further information regarding these resolutions is set out in the circular to shareholders. A resolution will also be proposed at the 2013 AGM, as is also customary, 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 34,095,432 ordinary shares of £0.05 each, representing approximately 10% of the Company's issued ordinary share capital at 8 March 2013. Shares purchased under this authority may either be cancelled or held as treasury shares.

G Substantial Shareholdings

As at 8 March 2013, the Company had been notified, in accordance with the UKLA's Disclosure Rules and Transparency Rules, of the interests in the issued share capital of the Company as set out in the table below.

H Auditors

A resolution to reappoint Deloitte 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. All non-audit services are approved by the Audit Committee. 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 auditors. The Directors at the date of approval of this report confirm that, so far as they are each 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 they ought to have taken, having made such enquiries of fellow Directors and the auditors and taken such other steps as are required under their duties as a Director, to make themselves 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 418 of the 2006 Act.

I Going Concern

It should be recognised that any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events which are inherently uncertain. Nevertheless, at the time of preparation of these accounts and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason, and taking into consideration the additional factors in the Financial Review on pages 22 to 24, they continue to adopt the going concern basis in preparing the accounts.

J Directors' Responsibilities for the Financial Statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards as adopted by the European Union both for the Group and the Company.

The Directors are required to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company and of the Group and the financial performance and cash flows of the Group for that period. In preparing those accounts the Directors are required to select suitable accounting policies and then apply them consistently; present information and accounting policies in a manner that provides relevant, reliable and comparable information; and state that the Company and the Group have complied with applicable accounting standards, subject to any material departures disclosed and explained in the accounts.

Substantial Shareholdings

	Issued Shares	
Name of Holder	**Number**	**% Held**
Pontoil Intertrade Limited	82,333,145	24.81
BlackRock, Inc.	34,022,486	10.25
Chemsa Ltd	24,378,600	7.35
Edward T Story	13,073,866	3.94

1 Annual Report of the Directors continued

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts comply with relevant legislation. They are also responsible for safeguarding the assets of the Company and the 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 corporate and financial information included on the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

K Directors' Responsibility Statement

The Directors confirm that, to the best of each person's knowledge:

(a) the financial statements set out on pages 70 to 92, which have been prepared in accordance with applicable United Kingdom law and International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and of the Group taken as a whole; and

(b) this Directors' Report, including each of the management reports forming part of it, includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board
8 March 2013

Cynthia Cagle
Company Secretary

All Directors will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment.

HOW WE FULFIL OUR COMMITMENT TO THE UK CORPORATE GOVERNANCE CODE

Dear Shareholders
I am pleased to present this introduction to our 2012 Corporate Governance Report (the CG Report), which describes how we have implemented and applied the principles of the UK Corporate Governance Code (the Code). SOCO is committed to the highest standards of governance. We welcome the development of corporate governance guidance as it continues to evolve from the current 2010 Code through to the new Code published in September 2012 which becomes effective for our 2013 reporting period.

Last year I reported on our first externally facilitated Board evaluation which the Code recommends to be undertaken at least once every three years. As the Directors had expressed an appreciation for the fresh perspective and new insight brought about by the externally facilitated process, the Board decided to follow up the 2011 results with the external facilitator in 2012. In particular, Directors were asked if they would have answered any questions set out in the 2011 evaluation differently a year later. This process revealed tangible improvements in areas that were identified in the 2011 evaluation for development. The facilitator's report indicates that the Directors consider the Board to be well organised, with a balance of skills and a high level of knowledge and participation which sets very high standards that are reflected throughout the Group.

The external facilitator again focused on the independence of Directors and reported that each Director, in confidence, repeated their strong belief in the continued independence of their fellow Directors. The CG Report sets out full details of the processes we undertake to ensure Director independence is retained and how the Board seeks to balance the benefits of experience and refreshment.

During the 2012 evaluation, Board members highlighted the importance of reporting corporate and social responsibility matters, including regular updates on social projects and the involvement of an external advisor to provide the right balance of engagement with stakeholders. Directors reiterated their belief in the benefits of increasing diversity, in particular gender diversity, of the Board and reiterated the need to focus on diversity and independence in future recruitment. The following pages provide further detail of how we fulfil our commitment to good corporate governance, and in particular those principles related to the role and effectiveness of the Board.

Rui de Sousa
Chairman

The Company is committed to the principles contained in the UK Corporate Governance Code (the Code) that was issued in 2010 by the Financial Reporting Council and for which the Board is accountable to shareholders.

The Company has applied the principles set out in the Code, as described below and, in connection with Directors' remuneration, in the Directors' Remuneration Report.

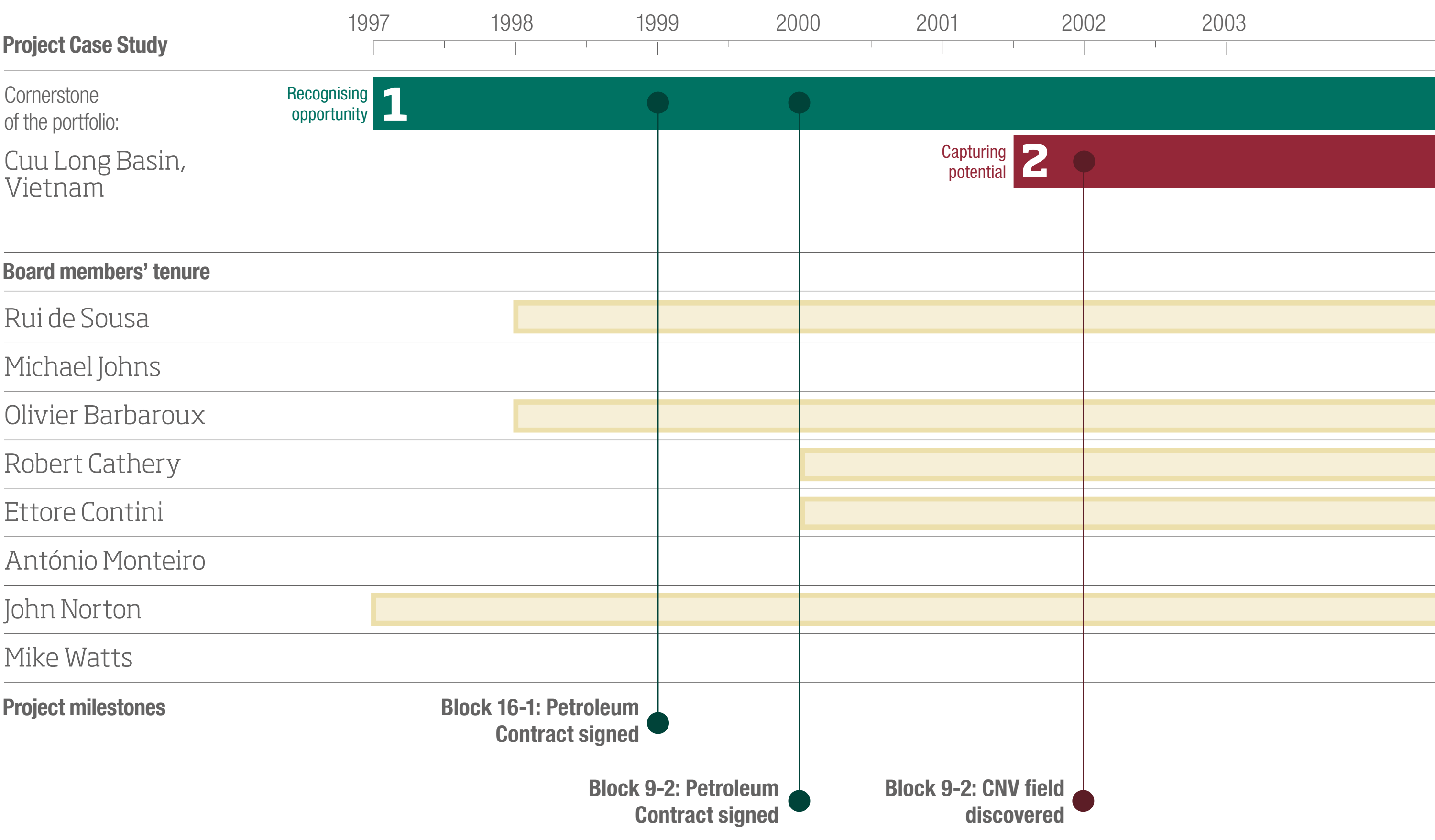
Statement of Compliance with the Code
Throughout the year ended 31 December 2012, the Company has complied with the provisions set out in the Code.

A Board of Directors
The Board's role is to provide entrepreneurial leadership and develop strategy, values and standards while maintaining prudent and effective controls to assess and manage risk. The Board is responsible for ensuring that the Company meets its obligations to stakeholders and has adequate resources to meet its strategic objectives. The Board of Directors, whose names and biographical details are set out on pages 40 and 41, comprises ten Directors in addition to the Chairman. After an assessment process set out in more detail below, six of these ten, including the Senior Independent Director, have been identified in the Annual Report of the Directors on page 44 as independent in character and judgement giving full consideration to those circumstances that the Code states may appear relevant. 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.

Chairman and Chief Executive
The roles of the Chairman and Chief Executive Officer are separated and their responsibilities are clearly established, set out in writing and agreed by the Board. The Chairman and the Chief Executive collectively are responsible for the leadership of the Company. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. The Chief Executive is responsible for leading the executives and ensuring their effectiveness in the

2 Corporate Governance Report continued

Non-Executive Directors' service reflects the long term nature of our projects



running of the Company's business and implementing strategy and policy. Together the Chairman and Chief Executive Officer are responsible for promoting the highest standards of integrity and probity.

Executive and Non-Executive Directors

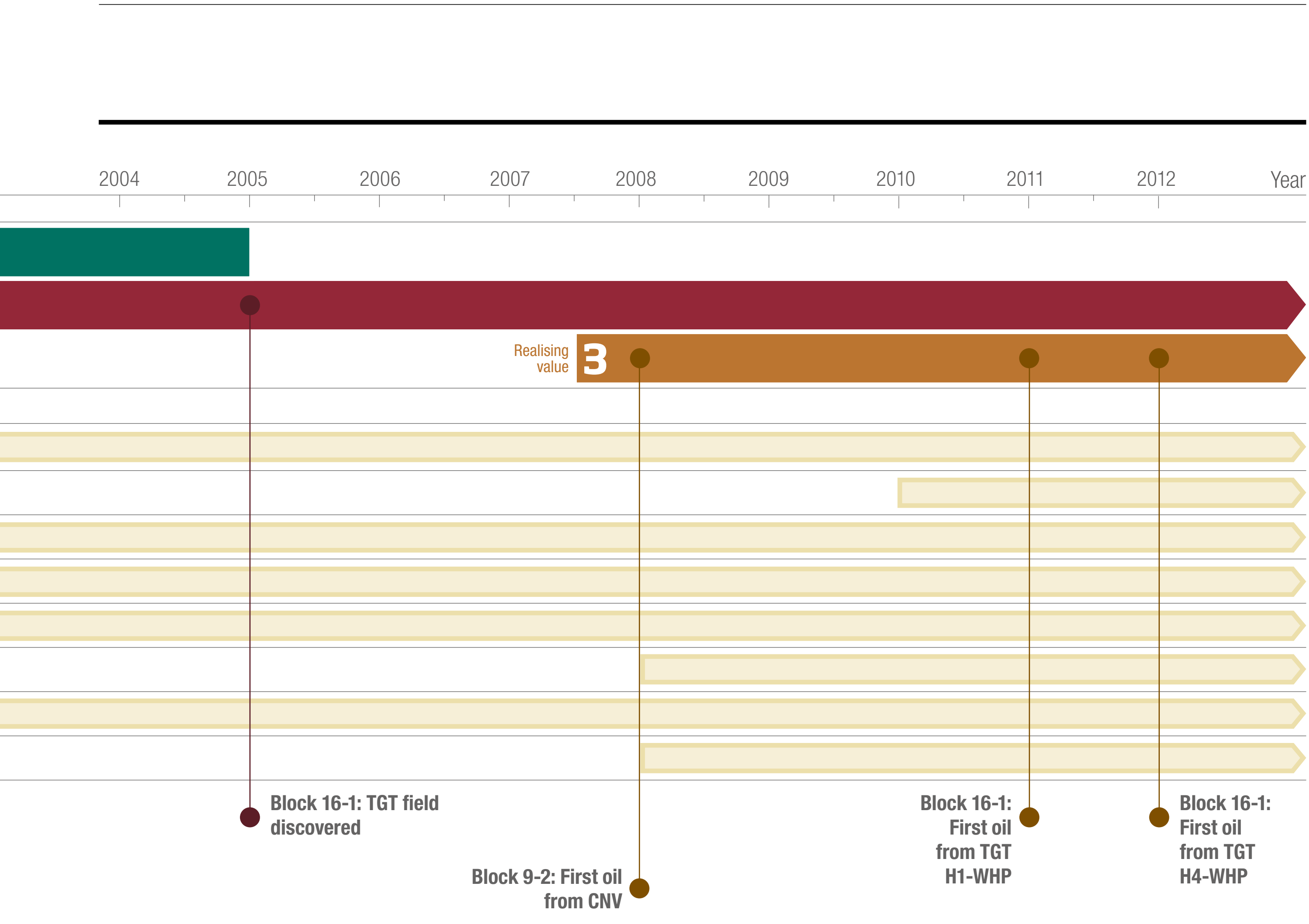
Executive Directors are responsible for implementing the Board's agreed strategy through the development of an appropriate business plan and for executing actions approved by the Board in accordance with relevant authorities. The division of responsibilities between the Executive Directors is set by 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, safety and social 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 make sound decisions.

The Non-Executive Directors, who undertake a supervisory role, contribute to the development of strategic proposals through constructive probing based on review and analysis that brings to bear the particular skills, experience and knowledge each brings to the Board. 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.

Company Secretary

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 for new Directors on appointment, which is tailored to the 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 any individual professional training and development needs agreed with each Director. Additionally, briefing sessions are provided in the course of regular Board meetings and Committee meetings on relevant issues as deemed appropriate, including in relation to corporate governance and social responsibility as well as new and evolving statutory and other compliance matters.



Board Balance, Diversity and Independence
The Board recognises the need for an appropriate balance of critical attributes, including skills, experience, diversity, independence and knowledge of the Company. Accordingly, it continually seeks, within an appropriate Board size, to manage a balance between each important element in its composition, including Executive representation, independence, diversity, tenure and refreshment. The Board identified this area as a matter for particular scrutiny in its recent externally facilitated Board evaluations, as discussed under the Nominations Committee section on page 55. A focus on succession planning, including increasing Board balance in both independence and diversity, has been established as a matter of priority in future recruitment.

The Board recognises the benefits of diversity and reported in 2011 that it had established gender diversity in particular as a priority for future recruitment, in addition to the continued attention to individual merit, experience, independence and complementary Board skills. The Board has benefitted from gender diversity around the Board table with participation by Ms Cynthia Cagle, the Vice President – Finance and Company Secretary, at formal and informal meetings of the Board and its committees. In December 2012, the Board appointed Ms Cagle as an Executive Director. The Board recognises that while this appointment provides the benefits of diversity and increased Executive representation, it also expands the Board and thereby reduces the proportion of independent Directors. The Board will continue to manage its composition, as demonstrated by the focus on both independence and diversity established for future recruitment stated above.

The Board embraces the underlying principles of the Code provisions regarding tenure and refreshing of the Board, and seeks to strike an appropriate balance between continuity of experience and succession. The findings of the externally facilitated Board evaluations conducted in 2011 and 2012 (see the Nominations Committee section on page 55) continue to confirm the Board's position concerning independence, which emphasises that an individual's independence cannot be determined arbitrarily on the basis of a set period of time or by a set period of concurrent tenure with an Executive Director. Each of the Non-Executive Directors' tenure has run concurrently with the Chief Executive and Deputy Chief Executive, both of whom have been in office from the Company's initial listing. 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 the shareholders. The Company seeks to ensure its Directors are focused on a long term approach and, therefore, does not impose fixed term limits as this would result in a loss of experience and knowledge without assuring increased

2 Corporate Governance Report continued

Extract from the 2012 Board Evaluation

As part of the Board Evaluation process, an external facilitator conducted interviews in confidence with each of the Directors and reported to the Board on the outcome of those interviews.

Extract:

Independent Directors
Respondents were asked if they had seen any compromises in the independence of Non-Executive Directors, particularly those on the Board more than nine years.

All respondents considered there to have been no such compromises of independence. Indeed a couple commented that they considered that Directors were showing signs of further independence as their tenure lengthened. Others commented that all "expressed their own views" and, specifically were independent of management. Although none were solicited, views expressed on the independent Directors included:

Olivier Barbaroux has a:
"very good long-term vision" and "global mind", and not afraid constructively to promote a minority view.

Bob Cathery is:
always comfortable in asking constructively challenging questions as part of overall Board discussions and as "counter-intuitively insightful" as ever.

Michael Johns has:
different experience and perspectives which are a "welcome addition to the Board", and he has been "an incisive new Chair of the Remuneration Committee".

António Monteiro provides:
"really useful insight into what feels right in particular circumstances."

John Norton provides:
a most independent contribution including in expressing different perspectives and pointing out questions that the Company should be asking itself.

Mike Watts has:
unique and valuable technical and geological experience.

independence. Accordingly, the Board's assessment of independence is of prime importance to ensure that retention of experience does not result in a failure to retain a sufficient contingent of independent Directors.

The independence of each Non-Executive Director is assessed at least annually. Independence is additionally identified as a matter for increased scrutiny in the externally facilitated Board evaluation, as described more fully in the Nominations Committee section of this report. To be identified as independent a Director must be determined to be independent both in character and in judgement and free from any relationships or circumstances which are likely to affect, or could appear to affect, their judgement including in particular those set out in the Code. Particular scrutiny is applied in assessing the continued independence of Directors having served over nine years, with attention to ensuring that interactions with Executive Directors have not in any way eroded their independence and that their allegiance remains clearly aligned with shareholders. Board refreshment and tenure are considered together, and weighed for relevant benefit in the foreseeable circumstances, given further that the Board should not be enlarged to a size that is unwieldy.

In conducting its current assessment of Non-Executive Director independence, the Board referred to guidance setting out criteria deemed relevant to determining whether a Director continues to exhibit those qualities and behaviours it considers essential to be considered independent. A specific set of focused criteria was applied to the assessment of long-tenured Directors. Consideration was also given to the results of individual evaluation and continued satisfactory performance as well as each Director's ability to allocate sufficient time to discharge their respective Board and Committee responsibilities. Following assessment, Mr Michael Johns, the Senior Independent Non-Executive Director, Ambassador António Monteiro and Dr Mike Watts were determined to be independent. Any outside links to other Directors have either ceased or are not considered significant and in particular do not result in reciprocal influence.

After particular scrutiny, Mr John Norton, Mr Olivier Barbaroux and Mr Robert Cathery, each having served on the Board for more than nine years, were determined to be independent. Each of these Directors continues to display an appropriate independence from Executive Directors. They each continue 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 considers that the varied and relevant experience of its independent Directors combined provide an exceptional balance of skills and experience required for the business.

Reappointment
In accordance with the Code, all Directors are subject to annual election by shareholders. Reappointment of each Director is recommended in consideration of the results of individual evaluation and demonstrated continued satisfactory performance, commitment and effectiveness. Consideration is given to the broad capabilities represented on the Board and the ability of these to meet the unique challenges facing the Company. Consideration is additionally given to the balance of the Board's composition and the need for diversity and refreshment. A Non-Executive Director term exceeding six years is subject to particularly rigorous review.

The process for considering reappointments is described more fully in the Nominations Committee section on page 55. Following this process, the Board recommends the reappointment of the retiring Directors, who have each offered themselves for reappointment. The Chairman, having given consideration to the results of the Board's formal evaluation process and other relevant factors, is satisfied that the Non-Executive Directors continue to demonstrate the commitment level appropriate and to be effective in fulfilment of the responsibilities of the role.

Succession and Appointments
The Company's process for succession seeks to ensure that the Board comprises an appropriate balance of knowledge, skills, independence, experience and diversity. The Company has an ongoing process for assessing the specific competencies required on the Board, giving consideration to relevant factors arising from Board and individual Director evaluations, including effectiveness and time commitment.

After assessment of the competencies required, the Board is satisfied that the current Non-Executive Directors comprise an appropriate balance of knowledge, skills, independence and experience. As reported last year, the Board established diversity as a priority for recruitment. In 2012, the Board appointed Ms Cynthia Cagle as an Executive Director, which the Board considers will provide the benefit of diversity while additionally increasing Executive representation with sector, finance and governance experience.

Succession planning will continue to allow for refreshment while maximising continuity of experience, which is considered to be in the best interests of shareholders. SOCO considers a Non-Executive Director's most appropriate term of office as generally longer than that envisioned in Code guidelines. The Company undertakes projects requiring long term life cycles starting from licence negotiation through to production operations. Longstanding Directors who have acquired, over a number of years, a sound and detailed knowledge of the Company's business are highly valued as uniquely qualified to contribute to the Company's leadership. Excluding the Chairman, the Board seats four long-tenured Non-Executive Directors, who serve on the Board along with three newly appointed over the last four years. The Company considers it has achieved an appropriate balance between the benefits of continuity and refreshment. The Company has additionally sought to maximise the benefits of independence, refreshment and continuity in constituting each of its Committees.

Board appointments are made in consideration of the process for succession and objective criteria which are developed in consideration of the assessment of Board competencies and attributes. Appointments are made through a formal process led by the Nominations Committee, which is set out in more detail in the Nominations Committee section on page 55. Following an appointment, the Company Secretary facilitates a process of induction and assimilation determined appropriate to the appointee's particular role and experience.

B Board Structure and Process

The Board typically has four scheduled meetings a year and holds additional meetings as necessary. During 2012, the Board held four scheduled meetings as deemed required for the effective discharge of its duties during the period. There was full attendance of Directors at scheduled Board meetings and full attendance of members at the Audit, Remuneration and Nominations Committees as set out in the table below.

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

Meeting Attendance by Directors

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nominations Committee Meeting	Annual General Meeting
R de Sousa	●●●●			●●●	●
M Johns	●●●●	●●●	●●	●●●	●
O Barbaroux	●●●●				●
R Cagle	●●●●				●
C Cagle appointed Dec 2012	▬▬▬●				▬
R Cathery	●●●●				●
E Contini	●●●●				●
A Monteiro	●●●●	●●●	●●	●●●	●
J Norton	●●●●	●●●			●
E Story	●●●●			●●●	●
M Watts	●●●●	●●●	●●	●●●	●

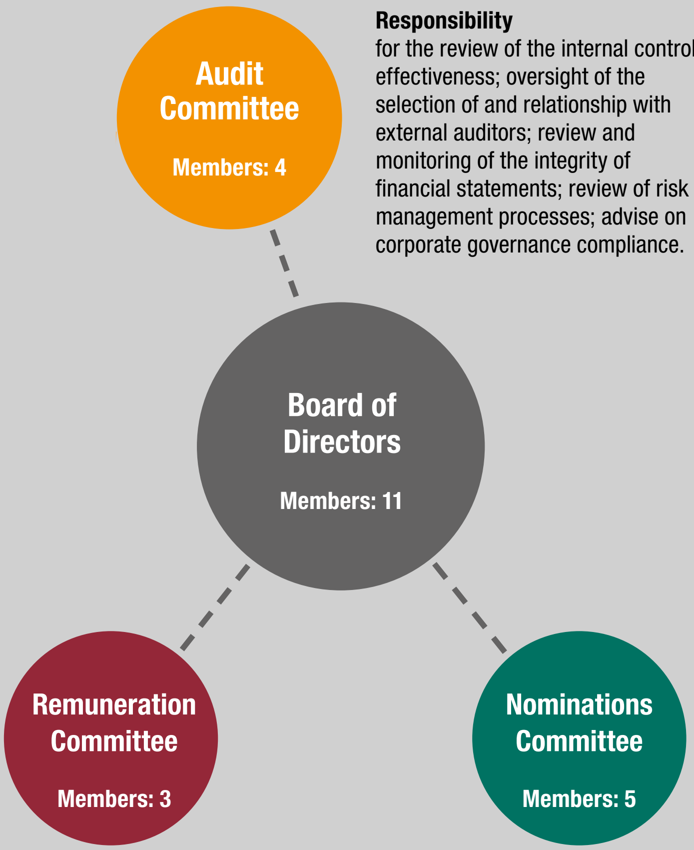
There was full attendance of Directors at scheduled Board meetings and of members at scheduled Committee meetings.

▬ Precedes Board appointment

2 Corporate Governance Report continued

Board structure

The Board's role is to provide entrepreneurial leadership and develop strategy, values and standards; maintain prudent and effective controls to assess and manage risk; meet obligations to stakeholders; maintain adequate resources to meet strategic objectives.



Responsibility
for the review of the internal controls effectiveness; oversight of the selection of and relationship with external auditors; review and monitoring of the integrity of financial statements; review of risk management processes; advise on corporate governance compliance.

Responsibility
for a Company-wide remuneration policy that is aligned with the Company's business strategy and setting the total remuneration packages of the Executive Directors, and Non-Executive Chairman; monitoring remuneration practices throughout the Group.

Responsibility
for recommendations regarding the appointment and reappointment of Directors and Committee memberships; review of Board structure, composition and succession planning; the process for evaluating the Board and its members.

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. 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.

C Conflicts of Interest
Directors have power to authorise, where appropriate, a situation where a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. Such authority is in accordance with section 175 of the 2006 Companies Act. Procedures are in place for ensuring that the Board's powers of authorisation are operated effectively. Directors are required to notify the Company of any conflicts of interest or potential conflicts of interest that may arise, before they arise either in relation to the Director concerned or their connected persons. The decision to authorise each situation is considered separately on its particular facts. Only Directors who have no interest in the matter are able to take the relevant decision and must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will impose such limits or conditions as they deem appropriate when giving authorisation or when an actual conflict arises. These may include provisions relating to confidential information, attendance at Board meetings and availability of Board papers, along with other measures as determined appropriate. The Board reviews its conflict authorisations at least annually.

D **Accountability and Audit**

Directors' and Auditors' Responsibilities

The responsibilities of the Directors and auditors are set out in the Annual Report of the Directors on pages 43 to 46 and in the Independent Auditors' Report on page 69.

Going Concern

The Group's financial statements have been prepared on a going concern basis as described in the Financial Review on page 24 and the Annual Report of the Directors on page 45.

Risk Management and 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 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 revised guidance on internal control published by the Financial Reporting Council in 2005 (the Turnbull Guidance), 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 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. Particular scrutiny is applied to the review of controls applicable to new or evolving areas of risks as they are identified.

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. Each member undertakes specific review processes in their areas of financial and audit, technical and operating, diplomatic and commercial and legal expertise and reports the results of their work to the full Committee and to the Board.

Internal Audit Function

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 outsources any internal audit requirements.

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 a 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 Annual General Meeting (AGM), the presentation of Annual Results and the presentation of Half Year Results whereby shareholders can directly interface with Company executive management. Notice of the AGM is circulated to all shareholders at least 20 working 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 including the Chairmen of the Audit, Remuneration and Nominations Committees are available to answer shareholder questions and 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 half year and full year results, between fund managers and Company executive management. In 2012, the Company has continued an increased dialogue with shareholders and other stakeholders regarding its corporate and social responsibility policies and procedures.

2 Corporate Governance Report continued

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Committee memberships are reviewed in order to ensure optimum utilisation of competencies on the Board.

Brokers' reports are discussed at scheduled Board meetings and public relations and analysts' reports are distributed to the full Board. Non-Executive Directors are made available to communicate with SOCO's major institutional shareholders, and particularly to be responsive 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.

E 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 Code and are reviewed from time to time in the context of evolving guidance. Committee memberships are reviewed in order to ensure optimum utilisation of competencies on the Board while maintaining a balance between the benefits of refreshment and continuity. Each Director's specific Committee memberships, including as Chairmen, are set out on pages 40 to 41. Attendance at scheduled committee meetings by all members serving during the period is set out in the table on page 51. While only Committee members are entitled to attend meetings and vote, Directors in advisory roles are generally invited to attend and other Directors may be 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.

Audit Committee

The Audit 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 Code, including its risk management and internal control requirements, as well as compliance with evolving guidance on corporate governance issues generally. The Committee's activities undertaken in the discharge of its duties are regularly reported to the Board.

Composition of the Audit Committee

The Audit Committee is chaired by Mr John Norton and additionally comprises Mr Michael Johns, the Senior Independent Non-Executive Director, and Ambassador António Monteiro and Dr Mike Watts, both of whom are independent Non-Executive Directors. The qualifications of each of the members are set out on pages 40 and 41. 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 a former member of the Oil Industry Accounting Committee. Although Mr Norton is a longstanding Director, his professional experience fully prepared him for maintaining independence and objectivity in this circumstance and the Board is completely satisfied that these attributes are diligently applied in the discharge of his duties.

Meetings

The Audit 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 held three meetings in 2012 and has conducted one meeting to date in 2013, all of which were attended by executive management and external auditors. A private session, without the Executives present, was held during two 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.

Overview of Activities
The Chairman reported to the Board on the Committee's activities at each scheduled Board meeting. 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 were assessed, giving consideration to the auditors' confirmation that their independence is not impaired, the overall extent of non-audit services provided by the external auditors (as described below) and the past service of the auditors who were first appointed, following a tendering process, in 2002. The Committee also considered the likelihood of a withdrawal of the auditor from the market and noted that there are no contractual obligations to restrict the choice of external auditors. The Board concurred with the Committee's recommendation for the reappointment of Deloitte LLP as the Company's auditors for 2013, which will be proposed to shareholders at the forthcoming AGM.

The Committee undertook a detailed risk assessment whereby it reviewed existing risks and identified new risks as appropriate. The likelihood and significance of each risk was considered along with associated mitigating factors and was reported to the Board. Any new risks or changes to existing risks were monitored throughout the year and considered at each Audit Committee meeting. As part of this process, the Committee has established a detailed bribery risk assessment and mitigation procedure designed to ensure that the Company has appropriate procedures in place to eliminate bribery and that all employees, agents and other associated persons are made fully aware of the Group's policies and procedures. The Committee has reviewed and is satisfied with the Company's arrangements for "whistleblowing", whereby staff may raise concerns regarding improprieties in confidence, which would be addressed with appropriate follow-up action. To facilitate such reporting the Company has introduced an Ethics Hotline Service using an independent, confidential telephone service that can be used by staff members and other stakeholders to report a suspected breach of SOCO's Code of Business Conduct and Ethics. The Committee reviews these arrangements annually.

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 Risk Management and 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 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 half year 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 for continued appropriateness.

External Auditors – Non-Audit Services
The external auditors are appointed primarily to carry out the statutory audit and their continued independence and objectivity is fundamental to that role. In view of their knowledge of the business, there may be occasions when the external auditors are best placed to undertake other services on behalf of the Group. The Audit Committee has a policy which sets out those non-audit services which the external auditors may provide and those which are prohibited. Within that policy, any non-audit service must be pre-approved by the Committee. Before approving a non-audit service, consideration is given to whether the materiality of the fees, the nature of the service, or the level of reliance to be placed on it by SOCO would create, or appear to create, a threat to independence. If it is determined that such a threat might arise, approval will not be granted unless the Audit Committee is satisfied that appropriate safeguards are applied to ensure independence and objectivity are not impaired. The auditor is prohibited from providing any services which result in certain circumstances that have been deemed to present such a threat, including auditing their own work, taking management decisions for the Group or creating either a mutuality or conflict of interest. The Company has taken steps to develop resources and relationships in order to establish availability of alternate advisors for financial and other matters. Additionally, the Committee closely monitors the terms on which 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.

The Committee approved the non-audit services provided by the external auditors in 2012, having concluded such services were compatible with auditor independence and were consistent with relevant ethical guidance. Details of non-audit services are set out in Note 9 to the financial statements.

Nominations Committee
The Nominations Committee is chaired by Mr Rui de Sousa, the Non-Executive Chairman of the Company. Mr Ed Story, the Chief Executive Officer, is a Committee member. Committee membership additionally comprises independent Non-Executive Directors Dr Mike Watts, Ambassador António Monteiro and Mr Michael Johns. In addition, Mr John Norton, Mr Olivier Barbaroux and Mr Robert Cathery act as Advisors to the Nominations Committee.

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. Further details of the discharge of these responsibilities are set out below in addition to sections above regarding in particular board balance, independence, diversity, succession and appointments.

The Committee held three meetings in 2012 and has conducted one meeting to date in 2013. 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.

2 Corporate Governance Report continued

During the year the Committee reviewed Board structure, size and composition, including a profile of the skills, knowledge, experience and diversity 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 reflecting the need for refreshment while taking into account the skills, experience and diversity needed on the Board to best meet the specific challenges and opportunities facing the Company. The results of these reviews were in turn utilised in developing the Committee's recommendations regarding potential Board appointments as well as for continuation in office and reappointment of retiring Directors.

After giving consideration to Board structure and composition, evaluations, time commitments, length of service, individual contributions, refreshment and the requirements of the Board, the Committee recommended that each of the retiring Directors be proposed for reappointment by the Board at the forthcoming AGM.

Process for Board Appointments

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 and attributes 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, which are to be made on merit set against objective criteria and with due regard for the benefits of diversity, are submitted for full Board approval. The Company Secretary facilitates induction upon appointment.

In December 2012, the Committee recommended to the Board that Ms Cynthia Cagle be appointed to the Board as an Executive Director. Ms Cagle, Vice President – Finance and Company Secretary, has held an executive position with the Group since 1997, during which time she has attended all Board and Committee meetings. She has an in depth knowledge of the Company's Board and Committees' procedures and policies and is a Director of certain significant subsidiaries of the Company. Ms Cagle's appointment increases the financial and corporate governance experience represented on the Board and reflects the importance the Board attaches to these areas of expertise. In appointing Ms Cagle the Committee acknowledges that the proportion of independent Directors on the Board has been reduced. However, in this instance and given the unique set of circumstances concerning Ms Cagle's representation on the Board, her appointment was given priority. As this was an appointment of a current executive to the Board, a search firm was not utilised. The Board will prioritise independence in its future recruiting and, recognising the new guidance published in the UK Corporate Governance Code (September 2012), the Committee will continue to consider the benefits of gender diversity.

Performance Evaluation

During 2012, the Committee led the Board in evaluating its own performance and that of its Committees and individual Directors. The Directors expressed an appreciation for the fresh perspective and insight brought about by the externally facilitated process conducted in 2011, and engaged the same firm to conduct a follow-up evaluation in 2012. The evaluation was facilitated in confidence by Nautilus Management Limited, an independent firm that has provided secretariat and governance advice to the Company. The evaluation entailed both questionnaires and interviews including discussion regarding any changes to answers provided in the prior year evaluation. The external facilitator sought evaluation of the Board and its effectiveness as a whole, but with an emphasis on the critical issues the Board will face in the next three to five years and with increased scrutiny in areas including Board balance, Director independence, the approach to gender diversity and Directors' training.

The process was undertaken to enhance the quality of the Board and to improve its procedures through identifying and addressing strengths and weaknesses and assessing progress on initiatives resulting from the 2011 evaluation. The Chairman led discussions with the Committee and the full Board regarding the results. The Senior Independent Director facilitated relevant discussions regarding the role of the Chairman. The results included a commitment by the Board to continue its primary focus on corporate strategy. The Board confirmed its commitment to a rigorous process for the assessment of independence and remains satisfied that it has led to an appropriate designation of independent Directors. The Board established a focus on succession planning including increasing Board balance in both independence and diversity as a matter of priority in future recruitment. Management committed to further enhance its reporting to the Board on governance and corporate responsibility programmes, including detailed and regular reporting to the Board on the Company's extensive stakeholder engagement, recognising the Company's increased focus in this area. Actions are being initiated as deemed appropriate. Additionally, the evaluation results were utilised to assess Director effectiveness, time commitments of Non-Executive Directors and training and development needs of each Director, which were reviewed by the Chairman. The Committee performed a review of its TOR as part of this process.

Remuneration Committee

The Remuneration Committee is chaired by Mr Michael Johns, the Senior Independent Non-Executive Director and additionally comprises independent Non-Executive Directors Ambassador António Monteiro and Dr Mike Watts. In addition Mr Olivier Barbaroux and Mr Robert Cathery act as Advisors. The names and qualifications of each of the members are set out on pages 40 to 41. The Committee is responsible for recommending for approval by the full Board the remuneration of the Chairman, the Executive Directors and the Company Secretary. During 2012, the Committee conducted a review of its TOR for continued effectiveness. Details of the Committee's policies and objectives are set out in the Directors' Remuneration Report on pages 57 to 65.

HOW WE REWARD OUR SENIOR MANAGEMENT AND DIRECTORS

Dear Shareholders
On behalf of the Board, we are pleased to present the remuneration report for the financial year ended 31 December 2012.

Performance of the Company
2012 has been another transformational period for SOCO, having achieved the long term goal of commercialising the TGT field through the first and second development phase, culminating with first oil from the second platform in mid-2012. Execution over the construction of infrastructure has now been de-risked and the project is set to provide significant future cash generation from stable production capability. The Committee now considers this to be the most important period in the Company's history.

When measured against the Company's key financial performance indicators our performance has been exceptional, both in absolute terms and when compared against 2011: turnover up 166%; operating profit up 186%; earnings per share up 138%; and operating cashflow up 271%.

SOCO is now well set to fund future exploration in accordance with its business strategy, and to continue its strategic goal of building and recognising value for shareholders.

Incentive out-turns
- **Annual bonus.** In light of exceptional Company and individual performance, the maximum amount (100% of salary for Executive Directors) was awarded for performance during 2012.
- **Long term incentive plan.** 71% of the potential maximum has vested in respect of LTIP awards made in December 2009. This reflects TSR performance against the comparator group of between median and upper quartile in the three year period to December 2012.

Appointment of Executive Director
On 5 December 2012, the Board was delighted to announce the appointment of Ms Cynthia Cagle as an Executive Director of the Company with immediate effect. Ms Cagle joined the Company at its founding in 1997 and holds the position of Vice President-Finance and Company Secretary. Details of her remuneration arrangements are set out within this Report.

Executive remuneration policy
The Committee regularly reviews executive remuneration arrangements to ensure that they remain aligned with the interests of shareholders and the overall business strategy. It also continues to be mindful of the prevailing economic and executive remuneration environment when assessing the remuneration framework.

The Committee considers that the current arrangements continue to closely align the remuneration framework with the Company's strategy while remaining appropriate in the current economic and executive remuneration environment.

Key decisions regarding remuneration policy were as follows:

- **Salary increases of 5%.** Following careful consideration of both Company and individual performance, the Committee decided that Executive Directors' salaries will be increased by 5% for 2013. This increase is in line with increases made across the broader corporate employee population.
- **No increase in annual or long term incentive opportunity.** The Committee believes there continues to be an appropriate mix between fixed and variable remuneration, and that the annual and long term incentive maxima also remain appropriate.
- **Shareholding guidelines are in place to ensure further commitment to shareholder alignment and long term stewardship.** Executive Directors each hold, and continue to build, significant shareholdings in the Company. Current shareholdings are well above the requirement to build up a minimum shareholding equivalent to their annual salary.

The Committee continues to monitor corporate governance and best practice developments in the executive remuneration environment, including the evolving draft regulations on disclosure. We will incorporate further requirements and best practice features as appropriate.

The Committee takes an active interest in shareholder views and the voting on the remuneration report, and looks forward to receiving your support at the AGM.

The Remuneration Committee

Michael Johns
Remuneration Committee Chairman

3 Directors' Remuneration Report continued

The Directors' Remuneration Report has been prepared in accordance with Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Listing Rules of the Financial Services Authority. The disclosures contained in this report that are specified for audit by the regulations and are covered in the scope of the Independent Auditors' Report on page 69, are separately identified below and (where relevant) are presented in US dollars consistent with the Group's audited financial statements. A resolution to approve the report will be proposed at the forthcoming Annual General Meeting (AGM).

The Company has complied throughout the period with the provisions relating to Directors' remuneration set out in the UK Corporate Governance Code (the Code), and has applied the principles set out in the Code as described below.

A Remuneration Committee

The Remuneration Committee is chaired by Mr Michael Johns, the Senior Independent Non-Executive Director, and additionally comprises Non-Executive Directors Ambassador António Monteiro and Dr Mike Watts. The Board is keenly aware of its duty to ensure, on behalf of shareholders, that the Committee is wholly independent. All members and advisors 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 a shareholder, in the matters delegated to the Committee. No Director plays a role in deciding their own remuneration. Additional information regarding the Committee is also contained in the Corporate Governance Report on pages 47 to 56.

The Committee is responsible for determining and agreeing with the full Board a Company-wide remuneration policy that is aligned with the Company's business strategy and ultimately 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 the Company Secretary. The Committee also monitors the remuneration practices and trends throughout the Group's internationally based workforce, including 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, evolving market practice and the broader economic environment.

In discharging its duties during the year, the Committee consulted with the other Non-Executive Directors, as deemed appropriate, and its proposals were approved by the full Board. In particular, Messrs Olivier Barbaroux and Robert Cathery were invited to attend meetings in an advisory role to provide guidance to the Committee as former members. Mr Rui de Sousa (SOCO Chairman) was also invited to attend meetings in an advisory role. As a significant shareholder, he provides the Committee with a valuable insight into likely shareholder concerns around executive remuneration. The Committee also consulted with the Chief Executive on its proposals for the other Executive Directors 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 LLP (Deloitte), who have voluntarily signed up to the Remuneration Consultants' Code of Conduct, were independently retained by the Committee as advisors following a tender process. In the year they provided advice on executive remuneration in terms of relevant current market practice and developments in best practice guidance, and on the testing and setting of performance criteria for incentive plans. 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 47 to 56. The advisors' terms of reference restrict the provision of certain services in order to maintain auditor independence; the scope and value of services to the Group is under continuous review to ensure it is not material to the assessment of independence. 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. The Committee is satisfied that the remuneration advice it receives from Deloitte is independent.

B Remuneration Policy

The policies described in this report have been applied throughout 2012. The Committee monitors remuneration policies on a continuing basis including consideration of evolving market practice and relevant guidance; shareholder views and results of previous voting; policies applied to the wider employee base; and with due regard to the current economic climate. Any proposed change which is material is only implemented following a full review and approval process deemed appropriate to such change. Where appropriate, shareholders would also be consulted about any change in remuneration policy.

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

Key Elements of Executive Remuneration

Element	Commentary
Salary	For 2013, Executive Director salary increases are 5%, which has been applied to the general population in line with inflation and the increased size and scope of the Group's operations.
Bonus	Maximum annual opportunity of 100% of salary, target of 50% of salary, based on individual and corporate targets related to the achievement of strategic objectives.
Long term incentive plan	Annual awards of up to 200% of salary (2012: 190% of salary). Performance based on relative TSR: 25% of award vests for median performance and 100% vests for performance in the 84th percentile.
Shareholding requirements	Shareholding requirement of one x salary for all Executive Directors.
Service contracts	Notice periods do not exceed 12 months and a policy of mitigation applies in respect of any termination payments.

Executive Director Salaries

Executive Director	2013	2012	% increase
Mr E Story	$924k	$880k	5.0%
Mr R Cagle	$693k	$660k	5.0%
Ms C Cagle	$473k	$450k	5.0%

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The Committee reviews all aspects of remuneration on an annual basis and with respect to individual and corporate performance during the year.

strategy for building shareholder value. It is the Committee's objective to attract, motivate and retain high calibre executives through market competitive remuneration that is appropriate to those individuals' positions, experience and value to the Company.

The Committee aims to design remuneration packages with significant performance related elements 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 relative shareholder return as an indicator of the Company's success in building shareholder value. Within this broad framework, the Committee takes particular care to ensure that remuneration is designed to promote the long term success of the Company and does not reward excessive risk taking or failure.

C Executive Directors

The Committee reviews all aspects of remuneration on an annual basis and with respect to individual and corporate performance during the year. Benchmarking, which was previously conducted annually, is generally conducted on a three year cycle or upon an indication of a change in market ranges. During this exercise, the Group's size and complexity and relative positioning within those ranges are taken into account in the context of the Executive Directors' critical value to the Company and demonstrated performance over time. Results of benchmarking exercises are monitored for indications of potential unwarranted upward ratcheting. The last benchmarking exercise took place in December 2009.

Pay conditions elsewhere in the Company are taken into account to ensure the relationship between the pay of the Company's Directors and its employees remains appropriate. Similar benchmarking techniques are applied to non-Board employees and the Committee monitors senior staff remuneration packages during the review of Executive Directors' remuneration packages.

D Package Components

Executive remuneration comprises a fixed basic salary and eligibility to receive an annual performance based cash bonus. Individuals may also be eligible to receive awards under long term incentive plans designed to provide reward linked to the longer term performance of the Company. At target performance the Executive Directors' packages are structured to deliver 60% of the total package in variable remuneration. At exceptional performance levels this increases to 80% of the total package.

Executive Directors are also eligible for additional benefits, including pension benefits, a permanent health insurance scheme, medical insurance, life assurance cover, critical illness cover, travel and expatriate benefits and car benefits.

The table on page 58 provides a summary of the key remuneration elements for Executive Directors.

Basic Salary

Basic salaries for the Executive Directors (who are all US citizens) are denominated in US dollars, consistent with the Group's reporting currency and the primary currency of Group operations. Basic salary is fixed at appointment or in relation to changes in responsibility, and is reviewed annually in consideration of demonstrated performance. 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 additionally take into consideration advice from remuneration consultants regarding relevant current market practice for salary levels and salary increases, and consideration of how these have been applied to the wider employee base. Following the annual review conducted in December 2012, and after considering pay increases for the general employee population, inflation, the contribution made by the individuals and the performance of the Company, with effect from 1 January 2013 each Executive Director's base salary has been increased by 5% (2012 – 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. 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 strategic goals, safety and environmental measures and financial measures against budgeted levels are additionally established as deemed appropriate.

The annual performance measures, including both financial and non-financial measures which are compatible with risk policies, are intended to focus behaviour and activity towards deploying the Company's strategy of progressing projects, capturing their potential and realising value for shareholders at an appropriate stage. This emphasises achievements required to grow the business over the longer term and avoids promoting excess risk taking to achieve a short term bonus opportunity. 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 specific targets set against these measures are considered to be commercially sensitive and are therefore not set out herein. However, we can broadly indicate that performance measures in 2013 will continue to emphasise safety and environmental measures, and include goals associated with progressing the Vietnam development drilling and exploitation programmes, progressing the portfolio, a focus on future implementation of the corporate strategy and stewardship of the Company's resources appropriate to the current economic environment.

In the 2011 Annual Report, the Committee set out three specific areas of emphasis in setting performance measures for 2012: progressing the continued phases of Te Giac Trang (TGT) development and exploitation; progressing the portfolio; and a focus on future implementation of the corporate strategy. It was noted that these measures would continue to emphasise appropriate stewardship of the Company's resources in the current economic environment, and continue to place a priority on objectives over safety and environmental measures. Against these measures the Committee recommended, and the Board approved, Executive Director bonuses at 100% of salary. The assessment considered a number of achievements.

Significant effort over a number of years has been dedicated to bringing the Vietnam TGT development on production. Long term stewardship of the project, managed within an aggressive timetable since inception, culminated with completion of the second platform in 2012. This milestone serves to significantly reduce execution risks associated with the construction phase of development. Production began from the platform in mid-2012, ahead of schedule, and plateau production targets have been sustained since start up. Project costs were stewarded in line with partner budgets. The project continued its record of zero lost time injuries, and no environmental incidents were reported.

The technical resources of the Group, including third party experts and strategic staff additions, have been significantly increased during the year in recognition of the change in size and scope of the Group's activities, and have been dedicated to project evaluation on our current and prospective portfolio. As a result, an initial independent third party assessment of the potential range of TGT original oil in place has been achieved and published. Partner approval has been received to expedite drilling to test the previously undrilled TGT H5 fault block. One new project, Nanga II A, has been added to the portfolio and significant progress has been made in advancing other initiatives.

A buyout of the non-controlling interest stake in Vietnam was completed and proved value accretive to shareholders. The Company additionally increased shareholder value through the buyback of over 7.5 million of its own shares (representing 2.20% of the issued share capital of the Company. See Note 26 of the financial statements), while building the year end balance of cash, cash equivalents and liquid investments to $258.5 million, up from $160.1 million at the end of 2011.

Performance against our key financial performance indicators since 2011 has been exceptional: turnover up 166%; operating profit up 186%; earnings per share up 138%; and operating cashflow up 271%.

Long Term Incentive Plans

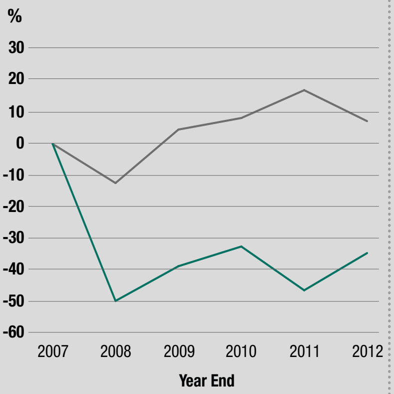
Participation in the Company's long term incentive plan (LTIP) is discretionary and determined in consideration of corporate and individual performance. Awards are subject to limits on individual participation whereby the market value, as measured at the date of grant, of shares subject to awards made in any financial year will generally not exceed 200% of the executive's base salary. The Committee has discretion, which has not been exercised, to exceed this limit if deemed justified in exceptional circumstances up to 400% of base salary. The LTIP is intended to provide a continued mechanism for motivating and retaining Executive Directors and senior staff members in a way that is aligned with shareholders' interests. A number of best practice features were introduced in 2011, including reducing threshold vesting levels and introducing a malus provision under which the Committee may reduce the number of shares subject to a participant's subsisting awards.

An employee benefit trust currently holds sufficient SOCO shares to satisfy all shares conditionally awarded under the current and previous LTIP, as more fully described in Note 26 to the financial statements. Decisions governing acquisitions of shares into the trust are considered and approved by the full Board. In line with corporate governance guidelines, 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 2012, 16.0 million new issue shares (2011 – 17.0 million) may be subject to awards, of which there is available capacity remaining of 10.6 million shares (2011 – 11.6 million).

At the date of grant of an award, the Committee sets appropriate performance criteria and measures these accordingly on the third anniversary of the date of grant to determine the portion of the award vesting. 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. When setting award levels, the stretch of performance targets is taken into account to ensure that projected total compensation opportunity at assumed levels of share price growth is market competitive. 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.

The Remuneration Committee's selection of performance criteria is kept under review to ensure these measures remain appropriate to SOCO's circumstances and strategy, and most effectively support the delivery of value creation over time. While the Committee has taken into account the potential impact of market volatility and other potential shortcomings of a relative total shareholder return (TSR) measure, it continues to provide the primary basis for determining the value generated for shareholders over the longer term. Furthermore, it is the primary indicator of the Company's overall corporate performance. The Committee also believes that underpinning TSR results by reference to the Group's oil and

Total Shareholder Return



— FTSE Oil & Gas Index cumulative change
— SOCO cumulative change

Source: Datastream

Note: This graph illustrates five year TSR performance against the FTSE Oil & Gas Index and therefore does not represent either the comparator group or time period against which performance is assessed under the LTIP.

gas reserves, a key business metric, provides an appropriate complement for considering that relative TSR is a genuine reflection of underlying performance.

Accordingly, no change to the performance measure is proposed, as the Company's long term goals remain unchanged and the Committee considers it will continue to align most closely the executives' interests to those of shareholders. 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. Prior to the vesting of an award, the achievement of actual underlying financial and operational performance of the Company will also be considered by the Committee. 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 resources and production therefrom in view of goals set by the Board. The Committee will continue to monitor whether TSR is the measure which best aligns long term awards to shareholder value.

In consideration of corporate and individual performance, along with the intent to retain and motivate with an appropriate level of reward clearly focused on long term stability, discretionary awards in 2012 were granted over shares with a market value of 190% of base salary. The TSR comparator group for awards made in respect of the periods between 2010 and 2012 is set out in the table below.

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. No award will vest if the TSR ranking is below the median. The vesting schedule is set out in the table below.

Following measurement of the Company's performance against the comparator group for awards granted in December 2009, 71% of the awards have been declared vested. After careful consideration, the Committee is satisfied that the performance criteria measurement has resulted in a vesting level appropriate to the underlying performance of the Company over the performance period. Those awards not declared vested have lapsed.

Further details of incentive share awards are set out in the table on page 64 and in Note 28 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 28 to the financial statements.

LTIP Comparator Group

Comparator Companies		
Afren	Heritage Oil	Premier Oil
Bowleven	JKX Oil and Gas	Regal Petroleum
Cairn Energy	Lundin Petroleum	ROC Oil
Coastal Energy	Maurel & Prom	Salamander Energy
Dana Petroleum*	Newfield Exploration	Santos
DNO International	Nexen***	SOCO
Enquest**	Niko Resources	Sterling Energy
Gulfsands Petroleum	Oil Search	Talisman Energy
Hardy Oil and Gas	Ophir Energy****	Tullow Oil

*through 2010 **from 2011 ***through 2011 ****from 2012

LTIP Vesting Schedule

TSR Performance	Vesting
Below median	No vesting
Median (50th percentile)	25% of the award vests

Pro-rating applies between these points and between ranking positions, to more closely reflect SOCO's TSR performance relative to the next highest and lowest comparators.

Upper 16th (84th percentile)	100% of the award vests

3 Directors' Remuneration Report continued

Share Option Plan
The SOCO 2009 Discretionary Share Option Plan (the Plan) is intended to provide flexibility in motivating and retaining senior staff members. There is no current intention for Executive Directors to participate.

Pension Contributions
The Company contributes 15% of salary each year in respect of the Executive Directors' pension benefits, which has been delivered as contributions to a money purchase plan up to scheme limits and a cash supplement. No changes in contribution levels are currently contemplated.

E Other Policies
With prior approval of the Board, Executive Directors are allowed to accept non-executive appointments on other boards and to retain the associated directors' fees. Under this policy Mr Ed Story serves on the board of Cairn India Limited for which he retained associated fees for 2012 in the amount of $1.0 thousand (2011 – $2.3 thousand). Mr Roger Cagle serves on the board of Vostok Energy Limited and previously served on the board of Dominion Petroleum Limited and retained associated fees for 2012 in the amount of £3.3 thousand (2011 – £40.0 thousand).

Shareholding requirement
The Board has a policy requiring Executive Directors to build up a minimum shareholding equivalent to their annual salary. This is intended to emphasise a commitment to the alignment of Executive Directors with shareholders and a focus on long term stewardship. The current Executive Directors have held, and continue to build, a meaningful shareholding since founding the Company in 1997.

F 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 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. After review of these factors, the annual fees payable to the Senior Independent Director were increased by £5,000 to £55,000 with effect from 1 January 2013. Annual fees for services payable to the Chairman and the other Non-Executive Directors remain unchanged from those rates reflected in the table above.

Non-Executive Directors' Fees

Role	Fee from 1 January 2013
Chairman of the Company	£180,000
Non-Executive Director	£45,000
Additional fee for the Senior Independent	£10,000

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.

G 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 contracts do not contain specific termination provisions. 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 Annual Report of the Directors on page 44.

H 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.

Until February 2012, Mr Roger Cagle served as Non-Executive Chairman of Dominion Petroleum Limited, previously a co-venturer in Block V, eastern DRC.

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 non-controlling interest in special purpose entities 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 non-controlling holdings in the subsidiary undertakings, which principally affected the profits or net assets of the Group, are shown in Note 17 of the financial statements. The Group has entered into a consulting agreement, which is terminable by either party on 30 days' written notice, 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.

I Directors' Remuneration Report Tables

Director's Emoluments (Audited)

	Fees/basic salary $000's	Benefits in kind[1] $000's	Annual bonus $000's	Total 2012 $000's	Total 2011 $000's
Executive Directors					
E Story	**880**	**53**	**880**	**1,813**	1,732
R Cagle	**660**	**113**	**660**	**1,433**	1,357
C Cagle [2]	**18**	**4**	**18**	**40**	–
Non-Executive Directors [3]					
R de Sousa	**285**	–	–	**285**	289
M Johns [4]	**79**	–	–	**79**	42
P Kingston [4]	–	–	–	–	50
O Barbaroux	**71**	–	–	**71**	64
R Cathery	**71**	–	–	**71**	64
E Contini	**71**	–	–	**71**	64
A Monteiro	**71**	–	–	**71**	64
J Norton	**71**	–	–	**71**	64
M Roberts [4]	–	–	–	–	31
M Watts	**71**	–	–	**71**	64
Aggregate emoluments	**2,348**	**170**	**1,558**	**4,076**	3,885

[1] Benefits include medical insurance, permanent health insurance, life assurance cover, critical illness cover, travel and expatriate benefits and car benefits.
[2] Emoluments paid to C Cagle are in proportion to her dates of service as a Director.
[3] Non-Executive Directors' fees are set in GB pounds and are reported in US dollars at the annual average exchange rate.
[4] Emoluments paid to M Johns, P Kingston and M Roberts in 2011 are in proportion to their dates of service.

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

Directors' Pension Entitlements (Audited)

Money purchase contributions or cash supplements where appropriate in respect of the Executive Directors were as follows:

	2012 $000's	2011 $000's
E Story	**132**	126
R Cagle	**99**	94
C Cagle [1]	**3**	–
	234	220

[1] Directors' pension entitlement to C Cagle is in proportion to her dates of service as a Director.

Directors' Incentive Share Awards (Audited)

Details of Directors' options to acquire ordinary shares in the Company under terms of the long term incentive plan, details of which are set out within this report, are as follows:

	As at 1 Jan 2012	Granted/ Awarded	Exercised [1]	Lapsed	As at 31 Dec 2012	Date potentially exercisable [2]	Expiry date
E Story	257,600	–	136,528	121,072	–	–	–
	288,800	–	205,048	83,752	–	–	–
	277,600	–	–	–	277,600	10.12.13	–
	344,000	–	–	–	344,000	09.12.14	–
	–	305,600	–	–	305,600	05.12.15	–
R Cagle	193,200	–	102,396	90,804	–	–	–
	216,400	–	153,644	62,756	–	–	–
	208,200	–	–	–	208,200	10.12.13	–
	258,000	–	–	–	258,000	09.12.14	–
	–	229,200	–	–	229,200	05.12.15	–
C Cagle [3]	131,600	–	69,748	61,852	–	–	–
	147,600	–	104,796	42,804	–	–	–
	142,000	–	–	–	142,000	10.12.13	–
	176,000	–	–	–	176,000	09.12.14	–
	–	156,300	–	–	156,300	05.12.15	–

[1] LTIPs were exercised during the period by Mr E Story, Mr R Cagle and Ms C Cagle over ordinary shares at a market price of £3.546, resulting in a gain on exercise of £1.2 million, £0.9 million and £0.6 million, respectively.

[2] 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 ordinary shares under option (or equivalent shareholding requirements).

[3] Options held by C Cagle include Options having been granted to her in respect to her services to the Group, which are not pro rata to her dates of service as a Director.

The market price of the ordinary shares at 31 December 2012 was £3.579 and the range during the year to 31 December 2012 was £2.549 to £3.734.

Directors' Interests

The Directors who held office at 31 December 2012 had the following interests (all of which were beneficial except as noted below) in the ordinary shares in the Company and contingent rights or options to acquire ordinary shares (Options) at 31 December 2012:

	Number of Shares		Number of Options[1]	
	2012	2011	**2012**	2011
Executive Director				
E Story[2]	**13,073,866**	12,856,794	**927,200**	1,168,000
R Cagle[3,4]	**5,641,191**	5,478,477	**695,400**	875,800
C Cagle[3,5]	**3,250,362**	3,139,439	**474,300**	597,100
Non-Executive Director				
R Sousa[6]	**9,008,820**	9,008,820	**–**	–
M Johns	**10,000**	10,000	**–**	–
O Barbaroux	**88,000**	88,000	**–**	–
R Cathery	**400,000**	400,000	**–**	–
E Contini	**220,000**	220,000	**–**	–
A Monteiro	**–**	–	**–**	–
J Norton	**460,000**	460,000	**–**	–
M Watts[7]	**83,712**	77,291	**–**	–

[1] Details of Options granted to or held by the Directors including any relevant conditions of exercise, are set out in the table of Directors' Incentive Share Awards.
[2] 11,398,866 Shares are held personally by Mr Ed Story. 1,675,000 Shares are held through The Story Family Trust, a connected person to Mr Story.
[3] Mr Roger Cagle and Ms Cynthia Cagle are connected persons to each other. Jointly they are interested in 8,891,553 Shares (2011–8,617,916) and 1,169,700 Share options (2011–1,472,900).
[4] 720,606 Shares (2011–5,478,477) are held personally by Mr Roger Cagle. 4,920,585 Shares (2011–nil) are held through C Minor Limited, a connected person to Mr Cagle.
[5] 446,323 Shares (2011–3,139,439) are held personally by Ms Cynthia Cagle. 2,804,039 Shares (2011–nil) are held through C Major Limited, a connected person to Ms Cagle.
[6] 300,000 Shares (2011–300,000) are held personally by Mr de Sousa. 8,708,820 Shares (2011–8,708,820) are held through Palamos Limited, a connected person to Mr de Sousa.
[7] Subsequent to 31 December 2012, Dr Mike Watts bought 1,374 SOCO Shares, which were acquired on the open market pursuant to a trading plan entered into on 29 September 2009.

While the Executive Directors, as potential beneficiaries, are technically deemed to have an interest in all ordinary shares held by the SOCO Employee Benefit Trust (Trust), the table above only includes those ordinary shares held by the Trust which are potentially transferable to the Directors and their families pursuant to Options which have been granted to them under the Company's incentive schemes. Details of the Trust and its holdings are set out in Note 26 to the financial statements.

There have been no other changes in the interests of the Directors between 31 December 2012 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 8 March 2013 and signed on its behalf by:

Cynthia Cagle
Company Secretary

FINANCIAL STATEMENTS

Introduction

THE 2012 INCOME STATEMENT ILLUSTRATES HOW THE COMPANY HAS EVOLVED SINCE THE COMMENCEMENT OF PRODUCTION FROM THE TGT FIELD IN THE SECOND HALF OF 2011

Neil Gibson,
Manager, Group Reporting,
Taxation & Treasury

Robert Harris,
Corporate Financial
Controller

In this section

Independent Auditor's Report to the Members of SOCO International plc

We have audited the financial statements of SOCO International plc for the year ended 31 December 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and parent Company Balance Sheets, the Group and parent Company Cash Flow Statements, the Group and parent Company Statements of Changes in Equity and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective Responsibilities of Directors and Auditor

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

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, contained within the Annual Report of the Directors, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Bevan Whitehead
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
8 March 2013

Consolidated Income Statement for the year to 31 December 2012

	Notes	2012 $ million	2011 $ million
Revenue	5, 6	**621.6**	234.1
Cost of sales		**(161.1)**	(67.8)
Gross profit		**460.5**	166.3
Administrative expenses		**(12.3)**	(9.4)
Operating profit		**448.2**	156.9
Investment revenue	5	**1.0**	1.1
Other gains and losses	7	**1.5**	3.3
Finance costs	8	**(5.1)**	(2.7)
Profit before tax	6	**445.6**	158.6
Tax	6, 11	**(238.6)**	(70.0)
Profit for the year		**207.0**	88.6
Earnings per share (cents)	14		
Basic		**62.7**	26.4
Diluted		**62.6**	26.3

Consolidated Statement of Comprehensive Income for the year to 31 December 2012

	Note	2012 $ million	2011 $ million
Profit for the year		**207.0**	88.6
Unrealised currency translation differences		**(0.2)**	4.2
Total comprehensive income for the year	27	**206.8**	92.8

Balance Sheets as at 31 December 2012

	Notes	Group 2012 $ million	Group 2011 $ million	Company 2012 $ million	Company 2011 $ million
Non-current assets					
Intangible assets	15	**199.7**	193.1	**–**	–
Property, plant and equipment	16	**816.6**	793.6	**1.0**	–
Investments	17	**–**	–	**811.4**	627.2
Financial asset	18	**42.1**	40.6	**–**	–
		1,058.4	1,027.3	**812.4**	627.2
Current assets					
Inventories	20	**11.1**	10.2	–	–
Trade and other receivables	21	**72.2**	79.8	**0.6**	0.5
Tax receivables		**0.6**	0.5	**0.2**	0.3
Assets classified as held for sale	12	**36.3**	–	**–**	–
Liquid investments		**50.0**	–	**–**	–
Cash and cash equivalents		**208.5**	160.1	**0.2**	2.6
		378.7	250.6	**1.0**	3.4
Total assets		**1,437.1**	1,277.9	**813.4**	630.6
Current liabilities					
Trade and other payables	22	**(34.3)**	(49.5)	**(5.2)**	(3.6)
Tax payable		**(21.4)**	(13.5)	**(0.1)**	(0.1)
Convertible bonds	23	**(47.2)**	–	**–**	–
Liabilities associated with assets classified as held for sale	12	**(1.6)**	–	**–**	–
		(104.5)	(63.0)	**(5.3)**	(3.7)
Net current assets (liabilities)		**274.2**	187.6	**(4.3)**	(0.3)
Non-current liabilities					
Convertible bonds	23	**–**	(46.6)	**–**	–
Deferred tax liabilities	19	**(113.3)**	(37.5)	**–**	–
Long term provisions	24	**(42.7)**	(32.7)	**–**	–
		(156.0)	(116.8)	**–**	–
Total liabilities		**(260.5)**	(179.8)	**(5.3)**	(3.7)
Net assets		**1,176.6**	1,098.1	**808.1**	626.9
Equity					
Share capital	25	**27.6**	27.5	**27.6**	27.5
Share premium account		**73.0**	72.7	**73.0**	72.7
Other reserves	26	**105.5**	140.8	**60.8**	93.8
Retained earnings	27	**970.5**	857.1	**646.7**	432.9
Total equity		**1,176.6**	1,098.1	**808.1**	626.9

The financial statements were approved by the Board of Directors on 8 March 2013 and signed on its behalf by:

Rui de Sousa
Chairman

Roger Cagle
Director

Statements of Changes in Equity for the year to 31 December 2012

Group

	Notes	Called up share capital $ million	Share premium account $ million	Other reserves (see Note 26) $ million	Retained earnings (see Note 27) $ million	Total $ million
As at 1 January 2011		27.5	72.6	149.2	763.9	1,013.2
New shares issued		–	0.1	–	–	0.1
Purchase of own shares into treasury		–	–	(6.8)	–	(6.8)
Share-based payments		–	–	1.0	–	1.0
Transfer relating to convertible bonds		–	–	(0.4)	0.4	–
Equity component of repurchased and cancelled bonds		–	–	(2.2)	–	(2.2)
Unrealised currency translation differences		–	–	–	4.2	4.2
Retained profit for the year		–	–	–	88.6	88.6
As at 1 January 2012		**27.5**	**72.7**	**140.8**	**857.1**	**1,098.1**
New shares issued	25	**0.1**	**0.3**	**–**	**–**	**0.4**
Purchase of own shares into treasury		**–**	**–**	**(32.9)**	**–**	**(32.9)**
Share-based payments	28	**–**	**–**	**(0.8)**	**–**	**(0.8)**
Acquisition of non-controlling interest in subsidiary undertaking	17	**–**	**–**	**–**	**(95.0)**	**(95.0)**
Transfer relating to share-based payments	28	**–**	**–**	**(1.1)**	**1.1**	**–**
Transfer relating to convertible bonds		**–**	**–**	**(0.5)**	**0.5**	**–**
Unrealised currency translation differences		**–**	**–**	**–**	**(0.2)**	**(0.2)**
Retained profit for the year		**–**	**–**	**–**	**207.0**	**207.0**
As at 31 December 2012		**27.6**	**73.0**	**105.5**	**970.5**	**1,176.6**

Company

	Notes	Called up share capital $ million	Share premium account $ million	Other reserves (see Note 26) $ million	Retained earnings $ million	Total $ million
As at 1 January 2011		27.5	72.6	100.6	445.4	646.1
New shares issued		–	0.1	–	–	0.1
Purchase of own shares into treasury		–	–	(6.8)	–	(6.8)
Unrealised currency translation differences		–	–	–	(4.6)	(4.6)
Retained loss for the year		–	–	–	(7.9)	(7.9)
As at 1 January 2012		**27.5**	**72.7**	**93.8**	**432.9**	**626.9**
New shares issued	25	**0.1**	**0.3**	**–**	**–**	**0.4**
Purchase of own shares into treasury		**–**	**–**	**(32.9)**	**–**	**(32.9)**
Share-based payments		**–**	**–**	**(0.1)**	**–**	**(0.1)**
Unrealised currency translation differences		**–**	**–**	**–**	**31.2**	**31.2**
Retained profit for the year	13	**–**	**–**	**–**	**182.6**	**182.6**
As at 31 December 2012		**27.6**	**73.0**	**60.8**	**646.7**	**808.1**

Cash Flow Statements for the year to 31 December 2012

	Notes	Group 2012 $ million	Group 2011 $ million	Company 2012 $ million	Company 2011 $ million
Net cash from (used in) operating activities	29	**334.8**	90.2	**(7.0)**	(5.7)
Investing activities					
Purchase of intangible assets		**(47.6)**	(51.2)	**–**	–
Purchase of property, plant and equipment		**(62.3)**	(101.0)	**(1.0)**	–
Increase in liquid investments[1]		**(50.0)**	–	**–**	–
Investment in subsidiary undertakings	17	**(95.0)**	–	**(152.8)**	(102.7)
Dividends received from subsidiary undertakings		**–**	–	**193.0**	–
Proceeds on disposal of subsidiary	12	**4.0**	–	**–**	–
Net cash (used in) from investing activities		**(250.9)**	(152.2)	**39.2**	(102.7)
Financing activities					
Purchase of own shares into treasury		**(32.9)**	(6.8)	**(32.9)**	(6.8)
Share-based payments	26	**(1.9)**	–	**(1.9)**	–
Repurchase of convertible bonds	23	**(0.9)**	(35.6)	**–**	–
Proceeds on issue of ordinary share capital	25	**0.4**	0.1	**0.4**	0.1
Net cash (used in) financing activities		**(35.3)**	(42.3)	**(34.4)**	(6.7)
Net increase (decrease) in cash and cash equivalents		**48.6**	(104.3)	**(2.2)**	(115.1)
Cash and cash equivalents at beginning of year		**160.1**	260.4	**2.6**	114.3
Effect of foreign exchange rate changes		**(0.2)**	4.0	**(0.2)**	3.4
Cash and cash equivalents at end of year		**208.5**	160.1	**0.2**	2.6

[1] Liquid investments comprise short term liquid investments of between three to six months maturity while cash and cash equivalents comprise cash at bank and other short term highly liquid investments of less than three months maturity. The combined cash and cash equivalents and liquid investments balance at 31 December 2012 was $258.5 million (2011 – $160.1 million).

Notes to the Consolidated Financial Statements

01 General information

SOCO International plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 96. 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 14 to 21 and 22 to 24, respectively.

02 Significant accounting policies

(a) Basis of preparation
The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS) and on a going concern basis of accounting for the reasons set out in the Annual Report of the Directors on page 43 and in the Financial Review on page 22. 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 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost basis, except for the valuation of hydrocarbon inventory and the revaluation of certain financial instruments. The financial statements are presented in US dollars as it is the functional currency of each of the Company's subsidiary undertakings and is generally accepted practice in the oil and gas sector. The functional currency of the Company remains GB pounds although its financial statements are presented in US dollars to be consistent with the Group. The principal accounting policies adopted are set out below.

(b) Adoption of new and revised accounting standards
At the date of authorisation of these financial statements, the following IFRS, International Accounting Standards (IAS), which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the European Union):
- IFRS 7 (amended) Disclosures – Transfers of Financial Assets
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 1 (amended) Presentation of Items of Other Comprehensive Income
- IAS 28 (revised) Investments in Associates and Joint Ventures

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except potentially as follows:
- IFRS 9 will impact both the measurement and disclosures of financial instruments
- IFRS 12 will impact the disclosure of interests Group has in other entities
- IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

(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. Liquid investments comprise short term liquid investments of between three to six months maturity.

(e) Interests in joint ventures
Jointly controlled entities are those entities 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 from the point of reclassification. Liabilities associated with such assets are also classified separately, within current liabilities.

(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 a full cost based 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 certain exchange differences if 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 a tangible non-current 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 of three to seven years.

Decommissioning

The decommissioning provision is calculated as the net present value of the Group's share of the expenditure which is expected to 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

02 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, except for inventories of hydrocarbons, are valued at the lower of cost and net realisable value.

Physical inventories of hydrocarbons, which are held for trading purposes, are valued at net realisable value and recorded as inventory. Underlifts and overlifts are valued at market value and are included in prepayments and accrued income and accruals and deferred income, respectively. Changes in hydrocarbon inventories, underlifts and overlifts are adjusted through cost of sales.

(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
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 18, 21, 22 and 23.

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. 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.

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.

Upon redemption of convertible bonds, in accordance with their terms at inception, the carrying amount of the liability is adjusted through the income statement to match the redemption amount. Where bonds are repurchased in the market, the repurchase cost is allocated between the repurchased liability and the repurchased embedded option to convert, using the same method described above. The difference between the amount allocated to the liability and the carrying amount of the liability is recorded in the income statement, and the amount allocated to the repurchase of the embedded option to convert is debited to equity.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Equity instruments repurchased are deducted from equity at cost.

(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.

03 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 in the Risk Management Report on pages 26 to 29.

04 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 and tangible property, plant and equipment. Management considers these assets for impairment at least annually with reference to indicators in IFRS 6 and IAS 36, respectively. In particular, capitalised expenditure relating to Block 16-1 in Vietnam is considered to be one cash generating unit due to the level of economic and management interdependence. Note 15 discloses the carrying value of intangible exploration and evaluation assets and Note 16 discloses the carrying value of property, plant and equipment. 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.

Notes to the Consolidated Financial Statements continued

04 Critical judgements and accounting estimates continued

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 18 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 the Risk Management Report on page 29.

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 met the definition was that related to the Group's interests in Vietnam. Consequently, the interest associated with capital expenditure in Vietnam has been capitalised up to the date at which such qualifying assets entered into production.

(b) Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, other than those mentioned above, 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 (DD&A). Proven and probable reserves are estimated using standard recognised evaluation techniques and are disclosed on page 93. 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. As discussed in the Review of Operations on page 17, independent consultants (RPS) have been retained to provide an assessment of Stock Tank Oil Initially In Place (STOIIP) and potential recovery factors for the TGT field. From the information available to date and the limited extent of development in each fault block, in particular the number of producing wells and the provision of injection support, RPS have taken the view that recovery factors range from 28% to 35%, whereas SOCO anticipates recovery factors to be 45 to 50%, as has already been seen in similar producing horizons in other producing fields in the same basin. Management has prepared sensitivities based on the initial range of STOIIP and recovery factors estimated by RPS based on the information available to date, and have concluded that there would be no material impact on the results or position of the Group at 31 December 2012. However, reserves estimates are inherently uncertain, especially in the early stages of a field's life, and are routinely revised over the producing lives of oil and gas fields as new information becomes available and as economic conditions evolve. Such revisions may impact the Group's future financial position and results, in particular, in relation to DD&A and impairment testing of oil and gas property plant and equipment.

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 24.

05 Total revenue

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

	2012 $ million	2011 $ million
Oil and gas sales (see Note 6)	**621.6**	234.1
Investment revenue	**1.0**	1.1
	622.6	235.2

06 Segment information

The Group has one principal business activity being oil and gas exploration and production. The Group's operations are located in South East Asia and Africa (the Group's operating segments) and form the basis on which the Group reports its segment information. There are no inter-segment sales.

2012	SE Asia $ million	Africa[2] $ million	Unallocated $ million	Group $ million
Oil and gas sales (see Note 5)	**621.6**	**–**	**–**	**621.6**
Profit (loss) before tax[1]	**459.4**	**–**	**(13.8)**	**445.6**
Tax charge (see Note 11)	**238.6**	**–**	**–**	**238.6**
Depletion and depreciation	**45.1**	**–**	**0.2**	**45.3**

2011	SE Asia $ million	Africa[2] $ million	Unallocated $ million	Group $ million
Oil and gas sales	234.1	–	–	234.1
Profit (loss) before tax[1]	165.5	–	(6.9)	158.6
Tax charge	70.0	–	–	70.0
Depletion and depreciation	19.3	–	0.1	19.4

[1] Unallocated amounts included in profit before tax comprise corporate costs not attributable to an operating segment, investment revenue, other gains and losses and finance costs.
[2] Costs associated with the Africa segment are capitalised in accordance with the Group's accounting policy.

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in Note 2.

Included in revenues arising from South East Asia are revenues of $347.9 million, $86.1 million, $75.2 million and $64.2 million (2011 – South East Asia $84.5 million, $60.4 million and $29.6 million) which arose from the Group's largest individual customers.

Notes to the Consolidated Financial Statements continued

06 Segment information continued

Geographical information

Group revenue and non-current assets (excluding the financial asset) by geographical location are separately detailed below where they exceed 10% of total revenue or non-current assets, respectively, in any particular year:

Revenue

All of the Group's revenue is derived from foreign countries. The Group's revenue by geographical location is determined by reference to the final destination of oil or gas sold.

	2012 $ million	2011 $ million
Malaysia	**231.8**	44.2
Australia	**144.1**	–
South Korea	**96.1**	15.9
Vietnam	**87.8**	62.0
China	**20.5**	54.9
Japan	**–**	25.9
Other	**41.3**	31.2
	621.6	234.1

Non-current assets

	2012 $ million	2011 $ million
United Kingdom	**1.0**	–
Vietnam	**815.8**	793.5
Democratic Republic of Congo	**119.1**	89.5
Other – Africa	**80.4**	103.7
	1,016.3	986.7

07 Other gains and losses

	2012 $ million	2011 $ million
Change in fair value of financial asset (see Note 18)	**1.5**	3.1
Gain on repurchased and cancelled convertible bonds (see Note 23)	**–**	0.3
Currency exchange loss	**–**	(0.1)
	1.5	3.3

08 Finance costs

	2012 $ million	2011 $ million
Interest payable in respect of convertible bonds (see Note 23)	**3.7**	6.0
Other interest payable and similar fees	**0.2**	–
Unwinding of discount on provisions (see Note 24)	**1.2**	0.8
Capitalised finance costs	**–**	(4.1)
	5.1	2.7

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 7.91% (2011 – 7.91%) to the expenditures on the qualifying asset (see Notes 4 and 23).

09 Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2012 $ million	2011 $ million
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**0.2**	0.2
Audit related assurance services – half year review	**0.1**	0.1
Other assurance services	**0.1**	0.1
Total non-audit fees	**0.2**	0.2

Other assurance services includes advisory services relating to remuneration and the Company's share option and long term incentive plans and agreed upon procedures relating to the Group's Africa and South East Asia regions.

Details of the Company's policy on the use of auditors for non-audit services are set out in the Corporate Governance Report on pages 47 to 56.

Fees payable to Deloitte 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.

Notes to the Consolidated Financial Statements continued

10 Staff costs

The average monthly number of employees of the Group including Executive Directors was 14 (2011 – 14), of which 12 (2011 – 12) were administrative personnel and 2 (2011 – 2) were operations personnel. Their aggregate remuneration comprised:

	Group	
	2012 $ million	2011 $ million
Wages and salaries	**6.5**	6.2
Social security costs	**0.3**	0.3
Share-based payment expense (see Note 28)	**1.1**	1.0
Other pension costs under money purchase schemes	**0.5**	0.4
Other benefits	**0.3**	0.3
	8.7	8.2

In accordance with the Group's accounting policy $2.8 million of the Group's staff costs above have been capitalised (2011 – $3.3 million).

11 Tax

	2012 $ million	2011 $ million
Current tax	**162.8**	56.6
Deferred tax (see Note 19)	**75.8**	13.4
	238.6	70.0

The Group's corporation tax is calculated at 50% (2011 – 50%) of the estimated assessable profit for the year in Vietnam. During 2012 and 2011 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:

	2012 $ million	2011 $ million
Profit before tax	**445.6**	158.6
Profit before tax at 50% (2011 – 50%)	**222.8**	79.3
Effects of:		
Non-taxable income and non-deductible expenses	**(0.2)**	(13.2)
Tax losses not recognised	**13.4**	4.0
Adjustments to tax charge in respect of previous years	**2.6**	(0.1)
Tax charge for the year	**238.6**	70.0

The prevailing tax rate in the jurisdictions in which the Group produces oil and gas is 50%. The tax charge in future periods may also be affected by the factors in the reconciliation.

12 Disposal of majority interest in SOCO Cabinda Limited to non-controlling interest holder

In September, SOCO announced that it had entered into a conditional agreement (the Disposal) with Quill Trading Corporation (Quill) wherein SOCO will sell its 80% majority interest in SOCO Cabinda Limited (SOCO Cabinda) to Quill, which holds the remaining 20% interest. SOCO Cabinda has a 17% participating interest in the Cabinda North Block, onshore the Angolan enclave of Cabinda. Under the terms of the Disposal, Quill has paid a non-refundable deposit to the Company for the option to acquire, within 120 days, SOCO's entire shareholding in SOCO Cabinda. SOCO Cabinda had gross assets of $36.3 million as at 31 December 2012. The Group has no reserves attributable to its interests in SOCO Cabinda. The Directors believe that the Disposal is in the best interests of the Company's shareholders as the Group continues to re-focus the portfolio on higher impact projects in which it holds larger participating interests. The option expiry has been extended and the final terms for closing are under negotiation.

13 Profit attributable to SOCO International plc

The profit for the financial year dealt with in the accounts of the Company was $182.6 million inclusive of dividends from subsidiary undertakings (2011 – loss of $7.9 million). As provided by section 408 of the Companies Act 2006, no income statement or statement of comprehensive income is presented in respect of the Company.

14 Earnings per share

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

	2012 $ million	2011 $ million
Earnings for the purposes of basic and diluted earnings per share	**207.0**	88.6

	Number of shares (million)	
	2012	2011
Weighted average number of ordinary shares for the purpose of basic earnings per share	**330.2**	336.1
Effect of dilutive potential ordinary shares – Share awards and options	**0.7**	1.3
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**330.9**	337.4

At 31 December 2012, up to 4,828,693 (2011 – 4,859,552) potential ordinary shares in the Company that are underlying the Company's convertible bonds (see Note 23) and that may dilute earnings per share in the future were not included in the calculation of diluted earnings per share because they were antidilutive for the years ended 31 December 2011 and 2012.

15 Intangible assets

	Group $ million
Exploration and evaluation expenditure	
As at 1 January 2011	144.3
Additions	48.8
As at 1 January 2012	**193.1**
Additions	**42.9**
Transfer to assets held for sale (see Note 12)	**(36.3)**
As at 31 December 2012	**199.7**

Intangible assets comprise the Group's exploration and evaluation projects which are pending determination.

Notes to the Consolidated Financial Statements continued

16 Property, plant and equipment

	Group			Company
	Oil and gas properties $ million	Other $ million	Total $ million	Other $ million
Cost				
As at 1 January 2011	715.7	1.5	717.2	1.1
Additions	120.0	–	120.0	–
As at 1 January 2012	**835.7**	**1.5**	**837.2**	**1.1**
Additions	**67.2**	**1.0**	**68.2**	**1.0**
Disposals	**–**	**(0.5)**	**(0.5)**	**(0.5)**
Currency exchange	**–**	**0.1**	**0.1**	**0.1**
As at 31 December 2012	**902.9**	**2.1**	**905.0**	**1.7**
Depreciation				
As at 1 January 2011	22.9	1.3	24.2	1.0
Charge for the year	19.3	0.1	19.4	0.1
As at 1 January 2012	**42.2**	**1.4**	**43.6**	**1.1**
Charge for the year	**45.1**	**0.2**	**45.3**	**0.1**
Disposals	**–**	**(0.5)**	**(0.5)**	**(0.5)**
As at 31 December 2012	**87.3**	**1.1**	**88.4**	**0.7**
Carrying amount				
As at 31 December 2012	**815.6**	**1.0**	**816.6**	**1.0**
As at 31 December 2011	793.5	0.1	793.6	–

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

17 Fixed asset investments

Principal Group investments

The Company and the Group had investments in the following subsidiary undertakings as at 31 December 2012 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
OPECO Vietnam Limited	Cook Islands	Vietnam	Oil and gas exploration and production	100
SOCO Congo Limited[1]	Cayman Islands	Congo (Brazzaville)	Investment holding	85
SOCO DRC Limited[2]	Cayman Islands	Congo (Kinshasa)	Investment holding	85
SOCO Vietnam Ltd[3]	Cayman Islands	Vietnam	Oil and gas exploration and production	100

[1] 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% non-controlling interest is held by Quantic Limited.

[2] SOCO DRC Limited (SOCO DRC) owns 99% of SOCO Exploration and Production DRC Sprl which holds the Group's working interest in its D R Congo (Kinshasa) asset. The Group funds 100% of SOCO DRC and is entitled to receive 100% of the distributions made by SOCO DRC until it has recovered such funding including a rate of return. The 15% non-controlling interest is held by Quantic Limited.

[3] In July 2012, SOCO completed an agreement with Lizeroux Oil & Gas Ltd (Lizeroux) to acquire the 20% outstanding non-controlling interest in SOCO Vietnam Ltd (SOCO Vietnam), for a cash consideration of $95 million. The consideration was satisfied out of existing cash resources of the Company. The Group has carried Lizeroux`s share of all costs and expenses incurred by SOCO Vietnam, and as a consequence the Lizeroux's non-controlling interest in the net assets of SOCO Vietnam was nil. The consideration is first allocated to eliminate any carrying value of the non-controlling interest, with the excess treated as a deduction from consolidated retained earnings; as the balance of the non-controlling interest at completion was nil the entire consideration of $95million was recorded against retained earnings.

The Company's investments in subsidiary undertakings include contributions to the SOCO Employee Benefit Trust (see Note 26) and are otherwise held in the form of share capital.

18 Financial asset

In 2005, the Group disposed of its Mongolia interest to Daqing Oilfield Limited Company. Under the terms of the transaction the Group will receive a subsequent payment amount of up to $52.7 million, 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. 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 (Level 3 as defined in IFRS 7). 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 2012 the fair value was $42.1 million (2011 – $40.6 million) after accounting for the change in fair value (see Note 7).

Notes to the Consolidated Financial Statements continued

19 Deferred tax

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

	Accelerated tax depreciation $ million	Other temporary differences $ million	Group $ million
As at 1 January 2011	15.9	8.2	24.1
Charge to income	8.9	4.5	13.4
As at 1 January 2012	**24.8**	**12.7**	**37.5**
Charge to income (see Note 11)	**70.3**	**5.5**	**75.8**
As at 31 December 2012	**95.1**	**18.2**	**113.3**

There are no unprovided deferred taxation balances at either balance sheet date except in relation to gross losses that are not expected to be utilised in the amount of $88.3 million (2011 – $72.4 million).

20 Inventories

Inventories comprise crude oil and condensate.

21 Other financial assets

	Group		Company	
	2012 $ million	2011 $ million	**2012 $ million**	2011 $ million
Amounts falling due within one year				
Trade receivables	**68.0**	63.6	**–**	–
Other receivables	**1.6**	12.2	**0.2**	–
Prepayments and accrued income	**2.6**	4.0	**0.4**	0.5
	72.2	79.8	**0.6**	0.5

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.

22 Other financial liabilities

	Group		Company	
	2012 $ million	2011 $ million	**2012 $ million**	2011 $ million
Trade payables	**10.2**	17.1	**–**	–
Other payables	**7.4**	13.0	**0.3**	0.4
Accruals and deferred income	**16.7**	19.4	**4.9**	3.2
	34.3	49.5	**5.2**	3.6

There is no material difference between the carrying value of trade payables and their fair value. Accruals and deferred income includes interest payable of $0.3 million (2011 – $0.3 million) in respect of convertible bonds (see Note 23). The above financial liabilities are held at amortised cost and are not discounted as the impact would not be material.

23 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, at the option of the bondholder, from June 2006 until six days before their maturity date of 16 May 2013. At the initial conversion price of £5.46 per share there were 24,952,000 ordinary shares of the Company underlying the bonds. On 16 May 2010, bonds with a par value of $165.9 million were redeemed at the option of each bondholder. The accelerated unwinding of the discount relating to the redeemed bonds was charged to finance costs in 2010 in the amount of $8.1 million and capitalised in accordance with IAS 23 Borrowing Costs.

During 2011, the Company repurchased and subsequently cancelled bonds with a par value of $35.4 million and a carrying value of $33.7 million for consideration of $35.6 million which was allocated between the repurchase of the liability component and the repurchase of the equity component, being the embedded conversion option. In accordance with IAS 32 Financial Instruments, a gain of $0.3 million was recorded relating to the difference between the fair value of the consideration allocated to the liability component and the carrying value of the liability component of the cancelled bonds. The consideration allocated to the equity component was deducted in equity.

In 2012 the Company repurchased and subsequently cancelled bonds with par and carrying values of $0.9 million for consideration of $0.9 million resulting in no gain or loss. If the bonds have not been previously purchased and cancelled, redeemed or converted, the remaining bonds 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.

	2012 $ million	2011 $ million
Liability component at 1 January	**46.9**	78.5
Bonds cancelled upon repurchase	**(0.9)**	(35.6)
Gain on cancelled bonds (see Note 7)	**–**	(0.3)
Equity component of cancelled bonds (see Note 26)	**–**	2.2
Other interest charged (see Note 8)	**3.7**	6.0
Interest paid	**(2.2)**	(3.9)
Total liability component as at 31 December	**47.5**	46.9
Reported in:		
Interest payable in current liabilities (see Note 22)	**0.3**	0.3
Current liabilities	**47.2**	–
Non-current liabilities	**–**	46.6
Total liability component as at 31 December	**47.5**	46.9

The interest charged for the year is calculated by applying an effective interest rate of 7.91% (2011 – 7.91%) to the liability component for the period which includes the 4.5% paid in cash semi-annually. 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 comprising principal and interest, 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:

	2012 $ million	2011 $ million
Within one year	**48.9**	2.2
Within two to five years	**–**	49.8
Total as at 31 December	**48.9**	52.0

Notes to the Consolidated Financial Statements continued

24 Long term provisions

Decommissioning

	Group $ million
As at 1 January 2012	**32.7**
New provisions and changes in estimates	**8.8**
Unwinding of discount (see Note 8)	**1.2**
As at 31 December 2012	**42.7**

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 17 – 18 years) in the removal and decommissioning of the facilities currently in place.

25 Share capital

	2012 $ million	2011 $ million
Issued and fully-paid		
340,954,315 ordinary shares of £0.05 each (2011 – 340,539,452)	**27.6**	27.5

As at 31 December 2012 authorised share capital comprised 500 million (2011 – 500 million) ordinary shares of £0.05 each with a total nominal value of £25 million (2011 – £25 million). The Company issued 414,863 new ordinary shares of £0.05 each during 2012 (2011 – 120,000) upon the exercise of certain share options (see Note 28).

26 Other reserves

	Group				
	Merger reserve $ million	Own shares $ million	Share-based payments $ million	Convertible bonds $ million	Total $ million
As at 1 January 2011	215.9	(0.6)	(69.4)	3.3	149.2
Purchase of own shares into treasury	–	(6.8)	–	–	(6.8)
Share-based payments	–	–	1.0	–	1.0
Transfer relating to convertible bonds	–	–	–	(0.4)	(0.4)
Equity component of cancelled bonds (see Note 23)	–	–	–	(2.2)	(2.2)
As at 1 January 2012	**215.9**	**(7.4)**	**(68.4)**	**0.7**	**140.8**
Purchase of own shares into treasury	**–**	**(32.9)**	**–**	**–**	**(32.9)**
Share-based payments	**–**	**–**	**(0.8)**	**–**	**(0.8)**
Transfer relating to share-based payments	**–**	**–**	**(1.1)**	**–**	**(1.1)**
Transfer relating to convertible bonds	**–**	**–**	**–**	**(0.5)**	**(0.5)**
As at 31 December 2012	**215.9**	**(40.3)**	**(70.3)**	**0.2**	**105.5**

	Company			
	Merger reserve $ million	Own shares $ million	Share-based payments $ million	Total $ million
As at 1 January 2011	159.0	(0.6)	(57.8)	100.6
Purchase of own shares into treasury	–	(6.8)	–	(6.8)
As at 1 January 2012	**159.0**	**(7.4)**	**(57.8)**	**93.8**
Purchase of own shares into treasury	**–**	**(32.9)**	**–**	**(32.9)**
Share-based payments	**–**	**–**	**(0.1)**	**(0.1)**
As at 31 December 2012	**159.0**	**(40.3)**	**(57.9)**	**60.8**

During the year the Company purchased 7,514,416 (2011 – 1,497,852) of its own ordinary shares (Shares) into treasury at a cost of $32.9 million (2011 – $6.8 million). The number of treasury Shares held by the Group and the number of Shares held by the SOCO Employee Benefit Trust (Trust) at 31 December 2012 was 9,122,268 (2011 – 1,607,852) and 3,666,213 (2011 – 4,156,922), respectively. The market price of the Shares at 31 December 2012 was £3.579 (2011 – £2.926). The Trust, a discretionary trust, holds Shares for the purpose of satisfying long term incentive awards for senior management of the Group, details of which are set out in Note 28 and in the Directors' Remuneration Report on pages 57 to 65. 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.

27 Retained earnings

	Group		
	Retained profit $ million	Unrealised currency translation differences $ million	Total $ million
As at 1 January 2011	771.7	(7.8)	763.9
Profit for the year	88.6	–	88.6
Transfer relating to convertible bonds	0.4	–	0.4
Unrealised currency translation differences	–	4.2	4.2
As at 1 January 2012	**860.7**	**(3.6)**	**857.1**
Profit for the year	**207.0**	**–**	**207.0**
Transfer relating to share-based payments	**1.1**	**–**	**1.1**
Transfer relating to convertible bonds	**0.5**	**–**	**0.5**
Acquisition of non-controlling interest in subsidiary undertaking (see Note 17)	**(95.0)**	**–**	**(95.0)**
Unrealised currency translation differences	**–**	**(0.2)**	**(0.2)**
As at 31 December 2012	**974.3**	**(3.8)**	**970.5**

The retained profit for the Company is as set out in the Statement of Changes in Equity within which the cumulative unrealised translation loss for the Company was $85.0 million (2011 – $116.2 million).

Notes to the Consolidated Financial Statements continued

28 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 57 to 65. The Group recognised total expenses of $1.1 million (2011 – $1.0 million) in respect of the schemes during the year, a proportion of which was capitalised in accordance with the Group's accounting policies.

Long Term Incentive Plan (LTIP)
The Company operates a 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. 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 SOCO Employee Benefit Trust (Trust) (see Note 26). Awards exercised during 2012 over 772,160 Shares were partially satisfied by transferring 490,709 Shares held by the Trust. The remaining 281,451 awards exercised, being the number of Shares that might otherwise be sold in the market, were satisfied by cash settlement of the participants' tax liabilities of $1.6 million. The Board decided in that instance it was in the best interest of the Company to agree this settlement method with the participants. No awards were exercised during the year ended 31 December 2011. The Company has no legal or constructive obligation to repurchase or settle awards in cash. Details of awards outstanding during the year are as follows:

	2012 No. of share awards	2011 No. of share awards
As at 1 January	**2,641,000**	1,863,000
Granted	**691,100**	778,000
Exercised	**(772,160)**	–
Lapsed	**(463,040)**	–
As at 31 December	**2,096,900**	2,641,000

There were no awards exercisable at 31 December 2012 or 2011. Awards outstanding at the end of the year have a weighted average remaining contractual life of 2.2 (2011 – 2.0) years. The weighted average market price and estimated fair value of the 2012 grants (at grant date) were £3.60 and £1.04, respectively.

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% was 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. During 2009, the Company established a new discretionary share option scheme. Options would normally be equity-settled through newly issued Shares.

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:

	No. of share options	2012 Weighted average exercise price £	No. of share options	2011 Weighted average exercise price £
As at 1 January	**880,000**	**1.29**	1,000,000	1.20
Granted	**348,500**	**3.33**	–	–
Exercised	**(480,000)**	**0.56**	(120,000)	0.56
As at 31 December	**748,500**	**2.71**	880,000	1.29
Exercisable as at 31 December	**318,000**	**1.79**	680,000	0.61

The weighted average market price at the date of exercise during the year was £3.27 (2011 – £3.47). Options outstanding at the end of the year have a weighted average remaining contractual life of 6.0 (2011 – 1.9) years.

29 Reconciliation of operating profit to operating cash flows

	Group		Company	
	2012 $ million	2011 $ million	**2012 $ million**	2011 $ million
Operating profit (loss)	**448.2**	156.9	**(10.4)**	(8.3)
Share-based payments	**1.1**	1.0	**1.1**	1.0
Depletion and depreciation	**45.3**	19.4	**0.1**	0.1
Operating cash flows before movements in working capital	**494.6**	177.3	**(9.2)**	(7.2)
(Increase) decrease in inventories	**(0.9)**	6.2	**–**	–
Increase in receivables	**(3.9)**	(57.6)	**–**	(0.2)
Increase in payables	**2.5**	12.6	**2.2**	1.3
Cash generated by (used in) operations	**492.3**	138.5	**(7.0)**	(6.1)
Interest received	**1.0**	1.1	**–**	0.4
Interest paid	**(2.4)**	(3.9)	**–**	–
Income taxes paid	**(156.1)**	(45.5)	**–**	–
Net cash from (used in) operating activities	**334.8**	90.2	**(7.0)**	(5.7)

Cash is generated from continuing operating activities only.

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.

Notes to the Consolidated Financial Statements continued

30 Operating lease arrangements

	2012 $ million	2011 $ million
Minimum lease payments under operating leases recognised in income for the year	**30.5**	9.1

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:

	2012 $ million	2011 $ million
Within one year	**29.4**	29.0
In two to five years	**136.0**	146.4
After five years	**–**	19.1
	165.4	194.5

Operating lease payments mainly represent rentals payable by the Group for floating, production, storage and offloading (FPSO) facilities and for certain of its office properties. The FPSO lease is for a term of seven years with an option to extend for a further seven years.

31 Capital commitments

At 31 December 2012 the Group had exploration licence and cost carry commitments not accrued of approximately $22.6 million (2011 – $36.2 million).

32 Related party transactions

During the year, the Company recorded a net cost in the amount of $0.7 million (2011 – net credit of $0.1 million) in respect of services rendered between Group companies. There were no balances outstanding with Group undertakings as at 31 December 2012. Transactions between the Company and its subsidiaries have been eliminated on consolidation.

Remuneration of key management personnel
The remuneration of the Directors of the Company, who are considered to be its key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 57 to 65.

	2012 $ million	2011 $ million
Short term employee benefits	**4.8**	4.1
Post-employment benefits	**0.2**	0.2
Share-based payments	**1.1**	1.0
	6.1	5.3

Directors' transactions
Transactions with the Directors of the Company, who are considered to be its key management personnel, are disclosed in the Directors' Remuneration Report on pages 57 to 65.

Reserve Statistics

Unaudited, net working interest (mmboe)

Net proven oil and gas reserves

	Total	Vietnam	Congo[1]
Reserves as at 31 December 2011	**71.3**	**67.6**	**3.7**
Changes in the year			
Additions	–	–	–
Revision to previous estimates	–	–	–
Purchase of reserves	–	–	–
Change of interest	**1.4**	–	**1.4**
Sale of reserves	–	–	–
Production	**(5.4)**	**(5.4)**	–
Reserves as at 31 December 2012	**67.3**	**62.2**	**5.1**

Net proven and probable oil and gas reserves

	Total	Vietnam	Congo[1]
Reserves as at 31 December 2011	**130.3**	**121.1**	**9.2**
Changes in the year			
Additions	–	–	–
Revision to previous estimates	–	–	–
Purchase of reserves	–	–	–
Change of interest	**3.6**	–	**3.6**
Sale of reserves	–	–	–
Production	**(5.4)**	**(5.4)**	–
Reserves as at 31 December 2012	**128.5**	**115.7**	**12.8**

Net proven and probable oil and gas reserves yearly comparison

	2012	2011	2010	2009	2008
Reserves as at 1 January	**130.3**	132.6	142.5	144.1	160.9
Changes in the year					
Additions	**–**	–	–	–	7.0
Revision to previous estimates	**–**	–	–	3.4	18.0
Purchase of reserves	**–**	–	–	–	–
Change of interest	**3.6**	–	–	(2.7)	(11.0)
Sale of reserves	**–**	–	(8.2)	–	(29.2)
Production	**(5.4)**	(2.3)	(1.7)	(2.3)	(1.6)
Reserves as at 31 December	**128.5**	130.3	132.6	142.5	144.1

Note: mmboe denotes millions of barrels oil equivalent.

Risks associated with reserve evaluation and estimation uncertainty are discussed in Note 4(b) to the financial statements.

[1] Reserves are shown before deductions for non-controlling 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 non-controlling interest including a rate of return from the non-controlling interest's pro rata portion of those cash flows.

Five Year Summary and Key Performance Indicators

	Year to 31 Dec 2012 $ million	Year to 31 Dec 2011 $ million	Year to 31 Dec 2010 $ million	Year to 31 Dec 2009 $ million	Year to 31 Dec 2008 $ million
Consolidated income statement					
Oil and gas revenues – continuing operations	**621.6**	234.1	48.4	69.3	45.0
Operating profit – continuing operations	**448.2**	156.9	29.1	51.6	28.8
Operating profit – discontinued operations[1]	**–**	–	36.5	38.8	37.7
Profit for the year	**207.0**	88.6	101.4	51.1	411.1

	2012 $ million	2011 $ million	2010 $ million	2009 $ million	2008 $ million
Consolidated balance sheet					
Non-current assets	**1,058.4**	1,027.3	874.7	712.4	635.1
Net current assets	**274.2**	187.6	253.6	84.6	315.0
Non-current liabilities	**(156.0)**	(116.8)	(115.1)	(33.7)	(239.7)
Net assets	**1,176.6**	1,098.1	1,013.2	763.3	710.4
Share capital	**27.6**	27.5	27.5	24.5	24.3
Share premium	**73.0**	72.7	72.6	71.1	70.4
Other reserves	**105.5**	140.8	149.2	11.3	14.7
Retained earnings	**970.5**	857.1	763.9	656.4	601.0
Total equity	**1,176.6**	1,098.1	1,013.2	763.3	710.4

	Year to 31 Dec 2012 $ million	Year to 31 Dec 2011 $ million	Year to 31 Dec 2010 $ million	Year to 31 Dec 2009 $ million	Year to 31 Dec 2008 $ million
Consolidated cash flow statement					
Net cash from operating activities	**334.8**	90.2	36.7	77.0	45.1
Capital expenditure	**109.9**	152.2	151.9	73.9	217.6

	Year to 31 Dec 2012	Year to 31 Dec 2011	Year to 31 Dec 2010	Year to 31 Dec 2009	Year to 31 Dec 2008
Other financial key performance indicators (continuing and discontinued operations)					
Realised oil price per barrel ($)[2]	**117.76**	112.94	75.66	55.70	66.62
Operating cost per barrel ($)[3]	**8.83**	9.42	12.41	9.82	10.30
DD&A per barrel ($)[4]	**7.94**	7.86	6.68	5.44	4.25
Basic earnings per share (cents)[5]	**62.7**	26.4	30.9	17.3	143.8
Diluted earnings per share (cents)[5]	**62.6**	26.3	28.4	15.4	124.3
Non-financial key performance indicators (continuing and discontinued operations)					
Total shareholder return (%)[6]	**22.3**	(20.8)	10.3	22.4	(50.2)
Production (barrels of oil per day)[7]	**14,757**	5,437	4,648	6,415	4,464
Total proven and probable reserve additions (mmboe)[8, 9]	**–**	–	–	3.4	25.0
Proven and probable reserves (mmboe)[9]	**128.5**	130.3	132.6	142.5	144.1
Employee tenure (years)[10]	**10**	9	8	8	7
Employee turnover (%)[11]	**–**	–	–	–	–
Professional development leading to a qualification (days)[12]	**–**	67	74	–	–
Continuing professional development (days)[13]	**33**	24	16	22	20
Lost time injuries frequency (thousand man-hours)[14]	**0.000**	0.000	0.000	0.000	0.001
Emissions (tonnes)[15]	**Negligible**	Negligible	Negligible	Negligible	Negligible

[1] Discontinued operations includes the results of all discontinued operations throughout the five years shown.
[2] The realised oil price per barrel is the average proceeds received for each barrel of oil sold in the period.
[3] Operating cost per barrel is the average cost incurred to produce a barrel of oil which exclude lifting imbalances and inventory effects.
[4] DD&A per barrel includes depreciation, depletion and decommissioning costs for the period calculated over barrels of oil produced.
[5] Earnings per share in prior years have been restated to reflect the 2010 share sub-division.
[6] The total shareholder return is the percentage annual return to the Company's shareholders.
[7] Average barrels of oil produced per day net to the Group's working interest.
[8] Comprises additions, revisions to previous estimates and purchase of reserves.
[9] Reserves are net to the Group's working interest expressed in millions of barrels of oil equivalent (see Reserves Statistics on page 93).
[10] Average length of UK based employee tenure.
[11] Rate of UK based employee resignations.
[12] Average number of days per year of job-related training, leading to a qualification, undertaken by UK based administrative employees excluding Directors.
[13] Average number of days per year of job-related training, not leading to a qualification, undertaken by UK based administrative employees excluding Directors.
[14] Number of lost time injuries per thousand man-hours on projects operated by SOCO or jointly operated companies.
[15] Scope One emissions in tonnes of carbon dioxide produced by projects operated by SOCO.

Company Information

Registered Office
SOCO International plc
48 Dover Street
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W1S 4FF
United Kingdom

Registered in England
Company No. 3300821

Website
www.socointernational.com

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 ten weeks after the beginning and six weeks before the end of each half year period.

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Disclaimer

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