ANNUAL REPORT AND ACCOUNTS

Enter

SOCO plc INTERNATIONAL

2014

ABOUT US

SOCO is an international oil and gas exploration and production company, headquartered in London, traded on the London Stock Exchange and a constituent of the FTSE 250 Index. The Company has interests in Vietnam, the Republic of Congo, the Democratic Republic of Congo and Angola. It employs a strategy for building shareholder value through a portfolio of oil and gas assets by focusing on Recognising Opportunity, Capturing Potential and Realising Value.

WE ARE AN
OIL AND GAS
EXPLORATION
AND PRODUCTION
COMPANY

IN THIS REPORT

ABOUT THE STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2014 for the Group which comprises pages 4 to 45 and includes:

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Strategy and Business Model	4 – 5
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This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to SOCO International plc and its subsidiaries when viewed as a whole. The Directors, in preparing the Strategic Report, have complied with s414C of the Companies Act 2006.

CYNTHIA CAGLE

COMPANY SECRETARY
11 MARCH 2015

SOCO AT A GLANCE

SOCO International plc

CORPORATE HEADQUARTERS
London, United Kingdom

LISTING
London Stock Exchange, FTSE 250

2014 HIGHLIGHTS

13,605
PRODUCTION
BOEPD, NET WORKING INTEREST

$131.7
PROFIT FOR THE YEAR
MILLION, BEFORE EXPLORATION WRITE-OFFS AND IMPAIRMENT

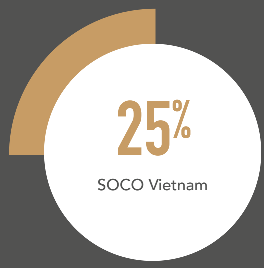
$448.2
REVENUE
MILLION

$119.2
CASH RETURNED TO SHAREHOLDERS
MILLION

PRODUCTION

BLOCK 9-2

SOCO interest



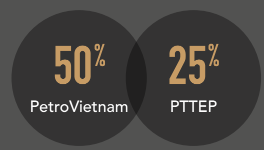
Project details

LOCATION
Cuu Long Basin, offshore Vietnam

OPERATIONAL PHASE
Field development/ production

OPERATOR
Hoan Vu Joint Operating Company

Project partners



BLOCK 16-1

SOCO interest

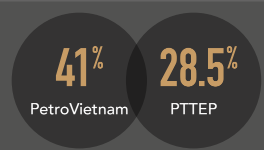
Project details

LOCATION
Cuu Long Basin, offshore Vietnam

OPERATIONAL PHASE
Field development/ production

OPERATOR
Hoang Long Joint Operating Company

Project partners



EXPLORATION

MARINE XI BLOCK

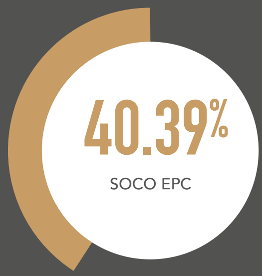
Project details

LOCATION
Congo Basin, offshore Congo (Brazzaville)

OPERATIONAL PHASE
Exploration/ appraisal

OPERATOR
SOCO EPC

SOCO interest



Project partners

23% WNR
15% SNPC
13.11% AOGC
8.5% PetroVietnam

MER PROFONDE SUD

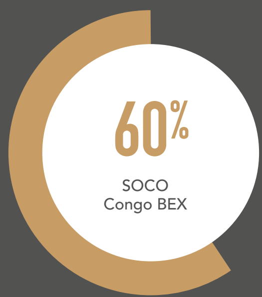
Project details

LOCATION
Congo Basin, offshore, Congo (Brazzaville)

OPERATIONAL PHASE
Block evaluation/ exploration

OPERATOR
SOCO Congo BEX

SOCO interest



Project partners

25% PARC
15% SNPC

CABINDA NORTH BLOCK

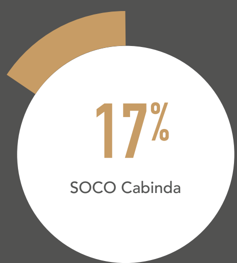
Project details

LOCATION
Congo Basin, onshore Cabinda, Angola

OPERATIONAL PHASE
Exploration/ appraisal

OPERATOR
Sonangol P&P

SOCO interest



Project partners

20% Sonangol P&P
15% ENI
10% Angola Consulting Resources
17% Teikoku Oil
11% China Sonangol
10% Petropars

BLOCK V

LOCATION
Albertine Rift, onshore eastern DRC

OPERATIONAL PHASE
Completion of block evaluation/contractual obligations. No further operational involvement.

OPERATOR
SOCO E&P DRC

WE HAVE A STABLE STRATEGY FOCUSED ON LONG TERM GROWTH AND RETURNS

A LONG TERM COMMITMENT

SOCO became a partner in projects in Vietnam during 1999; these assets are today one of the largest producers of hydrocarbons in Vietnam.

Review of Operations on p15

OUR PROVEN BUSINESS MODEL

SOCO achieves its core strategic values by applying its business model to:

- build large positions early on, before the play concept becomes too expensive.
- increase portfolio value through the application of managerial and technical expertise. The SOCO corporate team, based in London, utilises a pool of specialist proven geoscientists and engineers enabling a highly efficient and focused approach to the Company's activities.
- lay off risk (rather than take on risk). By partnering with other oil and gas companies, SOCO mitigates risks and optimises capital resources.
- lock in returns at the right time. Aim to commercialise within realistic time frame (5-10 years) and to avoid projects that lock in capital for long periods of time.

SOCO focuses on overlooked or under-exploited opportunities in hydrocarbon prone regions:

- brownfields versus greenfields to reduce risk.
- hurdle rate for new country entry is 50 mmbbls net to SOCO on initial opportunity.
- oil rather than gas. A market is required before a gas project is ever considered.
- SOCO is committed to being a safe and positive presence in the countries where we operate, guided by a responsible approach to oil and gas exploration and production.

OUR CORE STRATEGIC OBJECTIVES

SOCO employs a strategy of building shareholder value through a portfolio of oil and gas assets by focusing on Recognising Opportunity, Capturing Potential and Realising Value.

1. RECOGNISING OPPORTUNITY

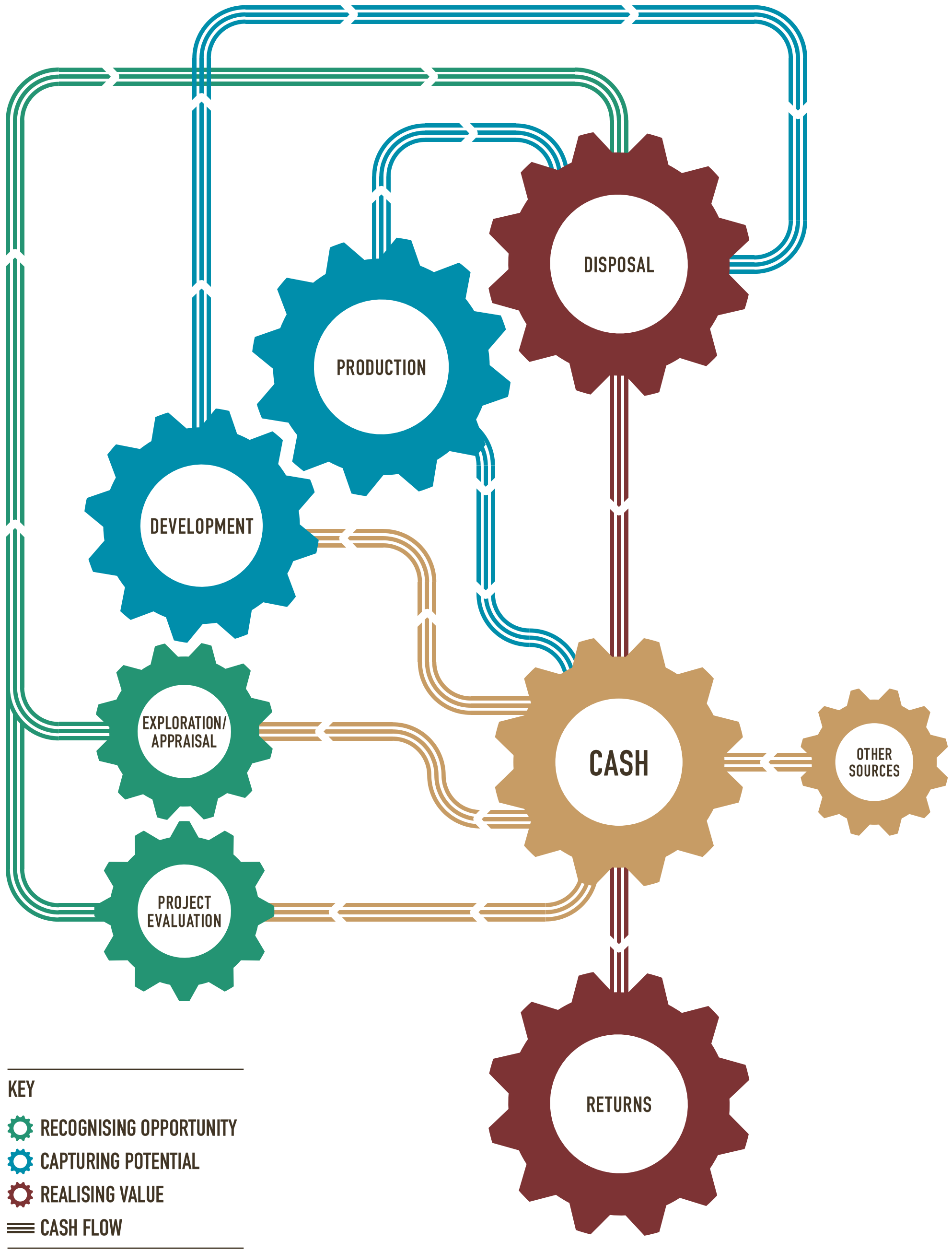
By cultivating relationships and having early access into regions, projects or situations where there is potential to create significant upside through the Company's participation.

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

RUI DE SOUSA
CHAIRMAN

ED STORY
PRESIDENT AND CHIEF EXECUTIVE OFFICER

"The SOCO business model – with a strong balance sheet, low break even oil prices (in the low $20s) and capital discipline as part of our DNA – is resilient in the current environment."

More on p4

TOTAL CASH RETURNED IN THE COMPANY'S SHORT HISTORY OF MAKING DISTRIBUTIONS

c.$333M

Board biographies on p47
Financial Statements on p73

DEAR SHAREHOLDERS

The dramatic fall in the oil price in the latter part of 2014 after a long period of stability introduced significant uncertainty and challenging conditions for the industry, bringing into focus the importance of substantial financial flexibility and strong capital discipline, and having a business capable of sustaining itself and generating cash flow in a low oil price environment.

The SOCO business model – with a strong balance sheet, low break even oil prices (in the low $20s) and capital discipline as part of our DNA – is resilient in this environment. As SOCO is staffed and managed by people who have extensive experience in this industry, we are also accustomed to having to deal with the cyclical nature of it. We have always been cost conscious and leanly resourced; therefore, we do not employ a lot of people and selectively use contractors, allowing us to scale our business up or down quickly depending on the prevailing environment. In response to the lower oil prices, we have deferred drilling the MPS exploration well to 2016 and undertaken several actions to reduce our general and administration costs, notably by eliminating the separate new ventures office and reducing general and administration costs in our regional offices by approximately 25%; in Vietnam capital and operating expenditure savings are expected to be in the region of 10%.

However resilient the business model may be, there are negative consequences to business metrics as a consequence of the downturn in the macro environment as well as company-specific developments. Against the background of lower oil prices and the resultant uncertainty around the scope and timing of future development, we have significantly revised last year's 2P reserves estimates associated with the TGT asset, with a portion of the reserves being reclassified into Contingent Resources. The re-classification has been done following on from an exhaustive technical study performed by ERC Equipoise, completed at the end of 2014. Further, due to drilling difficulties on the CNV-7P well, we were not able to complete the well thus leading to a write down of reserves attributed to the asset. It is now our intention to commission an independent reserve report covering all of our producing assets.

With our significant financial flexibility, fully funded capex programme and strict cost discipline, we can continue our strategy of focusing on cash flow generation and delivering to shareholders both value – through cash returns – and growth, be it organic or inorganic. The short term priority is to shape the business, which is already resilient in a downside scenario of persisting low oil prices, and to put plans in place for delivering sustainable growth as the oil price recovers.

2014 PERFORMANCE

2014 was a strong year for SOCO. The Company progressed development of the TGT field with the H5 fault block discovery remaining on a fast track for first production in the third quarter of 2015, drilled a successful exploration well offshore the Congo (Brazzaville), delivered the second material cash return to shareholders and concluded an independent study demonstrating TGT's full potential.

Importantly, we were able to accomplish these excellent results and to maintain our exemplary record from the health and safety aspect.

The Group's production during 2014 of c. 13.6 kboepd was just below our guidance range at the beginning of last year, down from c. 16.7 kboepd in 2013. The year-on-year drop was mainly attributable to part of the capacity of the TGT FPSO being contractually available to the neighbouring third-party field from May 2013.

Group financial results delivered solid revenue of $448.2 million, albeit down from the 2013 results, reflecting both lower production and lower realised average oil price of c. $103 per barrel (2013 – c. $113 per barrel). The Group is reporting a post-tax profit for the year of $14.0 million (2013 – $104.1 million), which includes an exploration write-off of $79.5 million associated with costs incurred on the Albertine Graben Block V in eastern DRC and pre-licence costs of new ventures, and a gross impairment charge on the CNV asset of $60.5 million (net $38.2 million after tax impact). Before accounting for the non-cash impact of the exploration write-offs and impairments, post-tax profits were down from $196.1 million in 2013 to $131.7 million in 2014.

Net cash generated from operations came in at $251.2 million in 2014, down from $314.4 million in 2013, reflecting lower sales volumes and lower realised oil prices. Capital expenditures were up from $99.1 million in 2013 to $162.5 million in 2014 predominantly due to the TGT H5 development and exploration activity in Africa.

SOCO made its second return of cash to shareholders during 2014 of c. $119 million, or 60% of the 2013 free cash flow of c. $200 million, bringing the total returned in the Company's short history of making distributions to c. $333 million.

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT CONTINUED

SOCO IS WELL POSITIONED TO CONTINUE TO EXECUTE ITS STRAGETY

VIETNAM

The TGT field has been a great investment for SOCO and the cash flow from the field has enabled the Company to initiate cash returns to shareholders.

The TGT field has attractive economics and cost recovery terms, low operating costs and benign operating and geopolitical backdrop. But the field economics also mean that the cash flow profile and returns are significantly geared to the oil price.

The ERCE study of the TGT field has significantly advanced our understanding of the field and by most indications improved that of our partners. The dynamic model developed by ERCE, a result of almost a year's work of a multidisciplinary team, incorporating all available geological and field performance data, is the best tool available yet. The modelling study demonstrates a broad range of interpretations and of potential recovery scenarios depending on the level of development drilling, infrastructure optimisation and upgrade, as well as the most optimal reservoir performance management to optimise field recovery.

Clearly, the scope of the development programme in the updated full FDP will to a large extent depend on the oil price outlook at the time and JOC partners' alignment on a development path and appetite to commit capital.

Consequently, a substantial amount of TGT 2P reserves has been re-classified into 2C Contingent Resources, reflecting the fact that currently only the original FDP and H5 FDP wells are being drilled and that, at this stage, there is no agreement among the JOC partners on the scope of development and level of investment going forward. Therefore, we believe that the prudent approach to 2P reserve booking against this background, taking into account the level of reservoir complexity and uncertainty, is to include only the P50 recoverable volumes based on existing and likely near term wells, and optimal field management. Additionally, a portion of the 2P reserves has been recognised as 3C Contingent Resources reflecting a degree of geological uncertainty around the range of oil-in-place estimates and partner alignment on the level of future capital investment in the field.

For CNV, our previous commercial reserve estimates were largely predicated on the successful drilling of the CNV-7P well, which was targeting the previously untapped south west area of the field and material increase in production, leading to further development drilling. Disappointingly, due to unexpected geological issues the well failed to reach the target reservoir despite several attempts to sidetrack. Thus, we have significantly reduced our estimates of the 2P reserves for CNV and re-classified undrilled wells including the CNV-7P well into Contingent Resources.

Review of Operations on p15

Reserve Statistics on p100

AFRICA EXPLORATION

Marine XI

During 2014, we drilled, as operator, a very successful exploration well on Marine XI Block offshore Congo (Brazzaville), which suggests an extension into our Block of the Litchendjili field on the Marine XII Block which is scheduled to come on-stream this year. The Lidongo X Marine 101 exploration well significantly exceeded expectations, testing more than 5,000 barrels of oil per day. The well results are being analysed in order to determine the continuity of the productive reservoirs of the well with the nearby discoveries in the Marine XII Block and to progress towards potential unitisation with the Litchendjili field.

The reserves associated with the Viodo field in Marine XI have been re-classified to Contingent Resources as there are no plans for commercial standalone development. However, we believe that there is potential in the near future to recognise Contingent Resources on the Marine XI Block as the Lidongo discovery is further evaluated and advanced towards unitisation with the Litchendjili field and the exploitation of the East Lideka field progresses.

Mer Profonde Sud

Following completion of our farm-in into the MPS Block offshore Congo (Brazzaville), we have been working with our partners on a detailed well location study. We remain very optimistic about the exploration potential of the MPS Block, however, given the prevailing market conditions in early 2015, drilling of the well has been delayed until 2016.

Block V

After receiving all necessary regulatory approvals, a non-invasive seismic survey was completed over a portion of Lake Edward in an area of Block V in eastern DRC mid-2014. The survey was successfully completed in six weeks with no reported adverse impact on the environmental parameters of the region. Processing of the seismic data has been completed and data interpretation is currently underway in the UK and should be completed by mid-2015. The Company no longer has any personnel in Block V.

While we acknowledge that the DRC government is anticipating discussions with UNESCO involving the future of the Virunga National Park, we have no involvement in these discussions. After providing the DRC government with interpretation of the seismic results, SOCO will have no further involvement in the Block. Consequently, all costs incurred on Block V to date and any further costs anticipated in the course of 2015 have been written off as exploration expense in 2014. It is our intention to leave behind all the humanitarian aid that SOCO has provided in medical, water purification and communications facilities for the benefit of the people.

"THE OPERATIONAL FOCUS FOR 2015 WILL BE ON BRINGING TGT'S H5 FAULT BLOCK PRODUCTION ON LINE"

CORPORATE

Management

Executive refreshment and succession continue to be important to the Company. In April, SOCO announced that Anya Weaving joined the Company as Chief Financial Officer with effect from 1 May 2014. Anya joined from Bank of America Merrill Lynch where she was a Managing Director in Mergers and Acquisitions with responsibility for the oil and gas sector.

Review of Allegations

In the summer of 2014, the Company engaged Clifford Chance LLP to carry out an independent review to assess whether there is evidence supporting allegations of wrong doing made by various NGOs and media members of its activities in the DRC. The law firm was also asked to advise as to whether, in the materials reviewed, there was any evidence contradicting the Company's conclusion, based on its own internal review, that neither SOCO nor its employees have been complicit in any intimidation and/or human rights abuses.

Given the absence of a response from NGOs to SOCO's request for assistance in evidencing the allegations, the exercise has been defined and focused by Clifford Chance in terms of the evidence considered. The Company has provided access to all the available personnel, processes and documents requested by the law firm in order for them to conduct a focused review and sufficient for them to advise the Board as to the appropriate steps to be taken.

Upon the conclusion of the independent review, the Company will take any necessary steps and advise its stakeholders.

WE ARE COMMITTED TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE

BOARD DIVERSITY

NON-EXECUTIVE DIRECTORS' KNOWLEDGE, SKILLS AND EXPERIENCE

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.

More on p55

OUTLOOK

We are committed to evaluating every alternative to optimise our exposure to upside without jeopardising our focus on sustainable cash flow generation. Whereas exploration remains a cornerstone of our growth strategy, we believe now is not the right time to commit any material capital to this. Our exploration programme for 2015 is limited to reprocessing existing seismic on the Marine XI Block to define the lowest cost upside to the portfolio and doing further work on a potential well location for drilling Mer Profonde Sud in 2016.

Our production guidance range for 2015 remains at 10.5-12 kboepd, reflecting reduced scope of the 2015 TGT drilling programme, largely due to the uncertain oil price environment, and conservative estimates of initial flow rates from TGT H5.

The operational focus for 2015 will be on bringing TGT's H5 fault Block production on line and working with the TGT partners to submit the updated FDP for TGT in Q3. Otherwise, it will be a year of prudent cost management whilst taking proactive measures to ramp the TGT development programme back up when conditions are more conducive.

Current market conditions notwithstanding, our distribution strategy of targeting cash returns of 50% of the previous year's free cash flow remains. Based on the results of 2014 and near term outlook, the Board has proposed a cash return of 10 pence per share (representing c. $50 million), payable in the form of a dividend, to be approved at the AGM on 10 June 2015.

As in the past, we remain value driven. We see the current environment as an opportunity to plan for future growth rather than a time for questioning the viability of the industry, and we believe SOCO is well positioned to continue to execute its strategy in this environment.

RUI DE SOUSA
CHAIRMAN

ED STORY
PRESIDENT AND CHIEF EXECUTIVE OFFICER

$119M

CASH RETURNED TO SHAREHOLDERS IN 2014

ADDITIONAL

$50M

DIVIDEND RECOMMENDED TO BE PAID IN JUNE 2015

> "WE REMAIN VALUE DRIVEN AND SEE THE CURRENT ENVIRONMENT AS AN OPPORTUNITY TO PLAN FOR FUTURE GROWTH"

SUPPORTING OUR COMMUNITIES

AFRICA – LIDONGO X MARINE 101 WELL

THE LXM-101 WELL

The LXM-101 well, 23km north west of Pointe Noire in approximately 45 metres water depth, was drilled to a total depth of 2,665 metres, encountering oil in a clastics sequence in the Djeno sand formation.

More on p19

VIETNAM – DONATING TO LOCAL GOOD CAUSES

◀ CYCLO 2014

Our JOCs are major sponsors of the Saigon Cyclo Challenge, an annual sports event and family outing run by Saigon Children's Charity to raise much-needed funds for disadvantaged children.

CLEAN WATER WELLS PROJECT

Our JOCs provided funds to build wells in the Phu Tan Commune, Chau Thanh District.
▼

RURAL ROADS ▶

The JOCs donated over VND196m to the Rural Road Building Project for the Huyen Hoi Commune, Tra Vinh Province.

SUPPORTING EDUCATION ▶

During 2014, our JOCs supported the construction of two Kindergartens in the region. The Quang Trung Kindergarten in Nam Dinh Province opened in September.

ℹ More on p15

VIETNAM: A THRIVING ECONOMY

SOCO is a joint operating partner in two oil and gas projects offshore Vietnam. These two fields, the Te Giac Trang and Ca Ngu Vang, together represent one of the largest producers of hydrocarbons in Vietnam.

SOCO has contributed to the economy of Vietnam through investment in infrastructure, employment, training, payment of taxes and the supply of hydrocarbons.

Vietnam is today one of the fastest growing economies in south east Asia.

HO CHI MINH CITY BY NIGHT ▶

The Nhieu Loc Canal flows around Ho Chi Minh City, southern Vietnam.

REVIEW OF OPERATIONS

ANTONY MARIS
CHIEF OPERATING OFFICER

Operational focus for 2014 was on the in-field development drilling of TGT, completion of the TGT dynamic model and the development of the TGT H5 fault Block. In Africa, we successfully drilled and tested an exploration well on Marine XI and successfully and safely completed a lake bed seismic survey on Lake Edward.

Group production for 2014 averaged 13,605 boepd (2013 – 16,694 boepd) with all production coming from the Company's interests in Vietnam.

VIETNAM

Block 16-1 and Block 9-2 in Vietnam are located in shallow water in the oil rich Cuu Long Basin, near the Bach Ho field, the largest field in the region which has produced more than one billion barrels. The Blocks are operated by JOCs in which each partner holds an interest equivalent to its share in the respective Petroleum Contract.

SOCO holds a 30.5% working interest in Block 16-1 and a 25% working interest in Block 9-2 through its wholly owned subsidiaries, SOCO Vietnam Ltd and OPECO Vietnam Limited. SOCO's partners in both Blocks are PetroVietnam, the national oil company of Vietnam, and PTTEP, the national oil company of Thailand.

OIL AND GAS PRODUCTION BY FIELD

	2014	2013
TGT Production	**11,538**	14,635
Oil (bopd)	**10,464**	13,301
Gas (boepd)	**1,074**	1,334
CNV Production	**2,067**	2,059
Oil (bopd)	**1,423**	1,494
Gas (boepd)	**644**	565
Total Production KPI	**13,605**	16,694
Oil (bopd)	**11,887**	14,795
Gas (boepd)	**1,718**	1,899

GROUP OIL AND GAS RESERVES KPI

	2014	2013
2P Reserves	**40.8**	130.1
2P Reserves + 2C Contingent Resources	**79.7**	130.1

KPI See Additional Information – Key Performance Indicators on page 99 and Reserve Statistics on page 100

REVIEW OF OPERATIONS CONTINUED

BLOCK 9-2
Field development/ production

BLOCK 16-1
Field development/ production

BLOCK 16-1 – TGT FIELD (30.5% INTEREST; OPERATED BY HLJOC)

The TGT field is located in the north eastern part of Block 16-1 offshore Vietnam and is operated by the HLJOC. TGT is a simple structure, with complex production intervals, extending over 16km and with hydrocarbons located in 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 optimise field recovery. The field has attractive economics and cost recovery terms, low operating costs and a benign operating and geopolitical backdrop.

2014 production net to SOCO averaged 11,538 boepd. TGT crude sold at an average $4.13/bbl premium to Brent in 2014. In line with the lower oil price environment, TGT crude sales in 2015 have averaged a premium of approximately $1.92 per barrel.

H5 Development
Following on from the successful H5 discovery well, TGT-10XST1, in late 2013, the Company and its partners focused on the fast track development of H5, agreeing to develop it using an unmanned wellhead platform, the H5-WHP, with production tied-in to the FPSO via the H1-WHP.

All parties agreed to commence construction of the platform in advance of formal approvals. The Hydrocarbons Initially In Place/Reserve Assessment Report was approved in June 2014, and the H5 FDP was approved in September 2014. The construction of the H5-WHP jacket and drilling deck was installed in August/September 2014 allowing drilling to commence from mid-September 2014.

The target date for first oil is September/October 2015 and we are on target to achieve this.

2014 Drilling Programme
Following the delay to the 2013 in-field drilling programme from the extended testing on the H5 discovery well, TGT-10XST1, we drilled a total of eight wells in 2014 both on the H5 development and within the main part of the TGT field. A further five wells are expected to be completed by the end of the second quarter 2015, at which point the rigs are to be released.

Drilling commenced on the H1-WHP with two producer wells, TGT-17PST1 and TGT-18PST1, both now on-stream and producing in line with expectations. The third well, TGT-11X, an exploration/appraisal well on the H2S fault block, has been completed as a producer/injector. This well was targeting primarily an Oligocene oil column with a thin Lower Miocene column. However, the pay sections in both horizons were thinner than expected. The first targeted injection well, TGT-19I, was drilled on the eastern flank of the H1 fault block, with injection now ongoing to complement aquifer support and assist specific sand water-flooding.

In October 2014, the TGT-9X appraisal well was drilled from the H4-WHP appraising the Miocene and Oligocene sequences in the H3 fault Block. Although the well found a thinner hydrocarbon column than predicted, it was completed in December 2014 as a producer. In January 2015 the TGT-20P, an in-fill producer in the H4 fault Block targeting the Oligocene was drilled. Following this well, the rig will drill the H3N fault Block in-fill producer, TGT-21P, and the H4 fault Block in-fill producer, TGT-26P, both targeting the Miocene and Oligocene sequences.

The first H5 development well, TGT-22P, was drilled to establish the distribution of hydrocarbons in the Upper Miocene. The TGT-10XST1 well test produced gas during the final test although it was not possible to identify from which specific sand units. Fluid samples taken from the multilayered Miocene have indicated that gas is more limited than previously thought, increasing oil in place.

The rig then batch-drilled and successfully completed the TGT-23P and TGT-24P wells by early January 2015. Following that, in January 2015, the TGT-12X well, an appraisal well of the previously undrilled H5N fault block was drilled. Unfortunately, the well encountered only a minor oil column in the target Miocene section. Having completed that well, the rig is now drilling the final H5 development well, TGT-25P, that will also appraise the deeper Oligocene section. It remains our expectation to drill the H5S fault block appraisal well following completion of the TGT-25P well, provided there is time ahead of the rig release in April 2015.

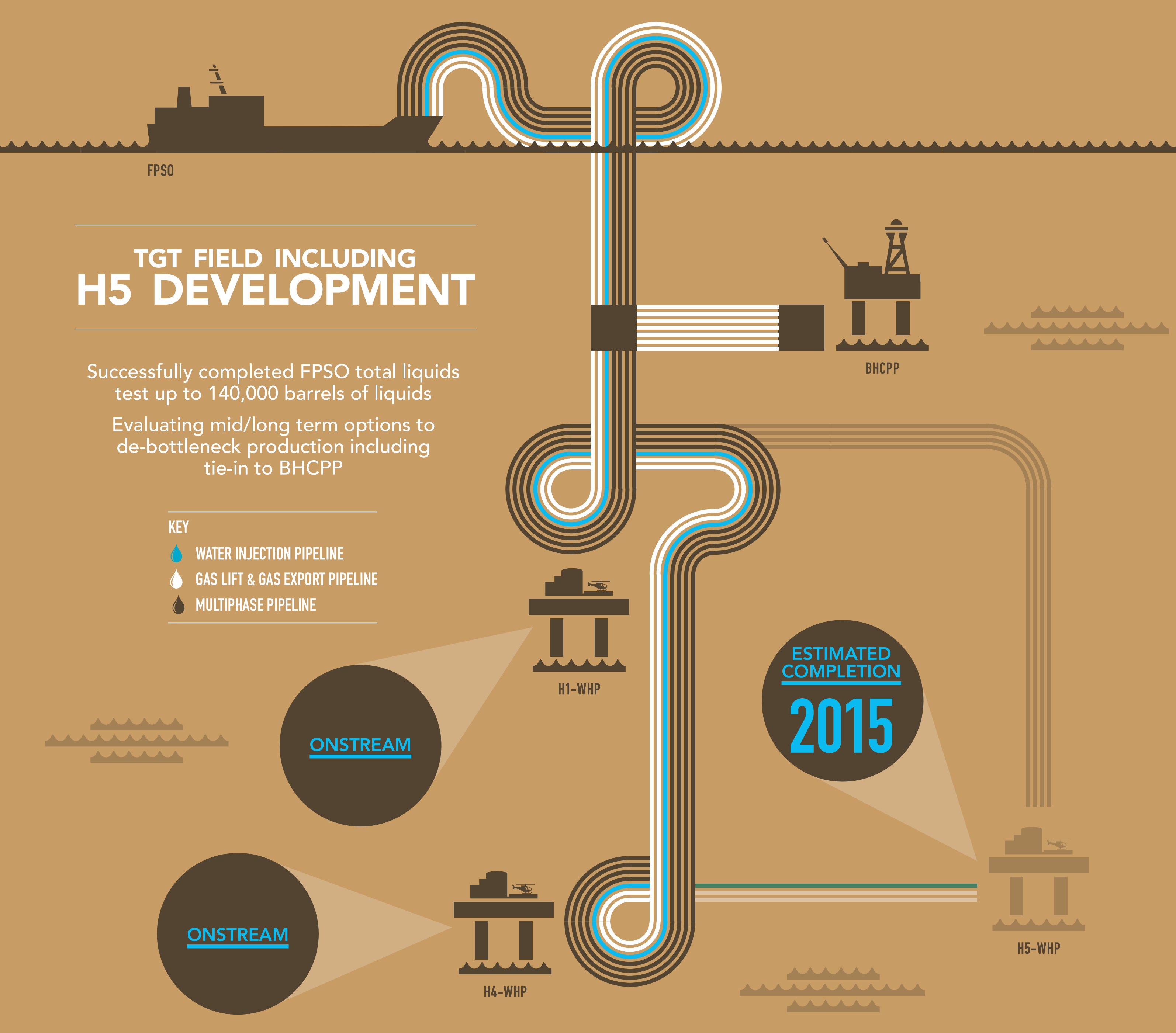
Floating, Production, Storage and Offloading Vessel Capacity Testing
As the TGT field's FPSO oil throughput remains contractually limited to 40,000 bopd of the 55,000 bopd nameplate capacity, FPSO de-bottlenecking to increase TGT production remains a strategic priority. Delays to the 2014 drilling programme required changes to other operational plans, the main one being to accelerate the testing of the total liquids (oil and water) handling capacity of the FPSO ahead of carrying out the second phase test of the oil handling capacity.

In July 2014, the HLJOC successfully tested the existing facilities on the FPSO beyond the current total liquids nameplate capacity of 120,000 blpd to approximately 140,000 blpd. The test confirmed that minor systems modifications could increase total liquids handling capacity to in excess of 160,000 blpd. The HLJOC has identified minor investments to improve liquid handling and is working with the vessel owner/operator (BAB-VSP Alliance) to define the technical projects and commercial terms to allow the vessel to be re-certified at higher capacities.

TGT FIELD INCLUDING H5 DEVELOPMENT

Successfully completed FPSO total liquids test up to 140,000 barrels of liquids

Evaluating mid/long term options to de-bottleneck production including tie-in to BHCPP



The TGT field has been a great investment for SOCO and the cash flow from the field has enabled the Company to initiate cash returns to shareholders. The TGT field has attractive economics and cost recovery terms, low operating costs and a benign operating and geopolitical backdrop. But the field economics also mean that the cash flow profile and returns are significantly geared to the oil price.

see page 8

> THE INDEPENDENT STUDY OF TGT COMMISIONED IN 2014 HAS SIGNIFICANTLY ADVANCED OUR UNDERSTANDING OF THE FIELD

TGT Performance Evaluation and Prediction
In 2013, SOCO retained ERCE to build a Dynamic Simulation Model of the TGT field. In 2014, this engagement was expanded to include the integration of a new Geological Model. The Geological Model was integrated into a revised Dynamic Simulation Model for a technical evaluation of the TGT resources. On completion of the history match and H5 area additions, the model ran a series of forecasts to evaluate the ultimate oil volume recoverable given various levels of development drilling and pressure maintenance under various FPSO and alternative liquid handling options.

The ERCE study of TGT has significantly advanced our understanding of the field. The dynamic model encompassed almost a year's work of a multidisciplinary team, incorporating all geological and field performance data, and is the best tool available yet, but also highlights significant complexity and technical uncertainty of the field. The modelling study demonstrates a significant range of potential development scenarios depending on the level of development drilling, infrastructure optimisation and upgrade, as well as reservoir performance management to optimise field recovery. We continue to refine and update the model to focus on the development programme choices required for the revised full FDP.

Forward Plans
At this time, the HLJOC partners are preparing an update to the TGT FDP for submission to the relevant Vietnamese authorities. The updated FDP will incorporate the development plans for the TGT field beyond 2015. The conclusions of the ERCE work were shared with the HLJOC Partners as part of this process, as the work suggests a substantial increase in oil recovery can be achieved.

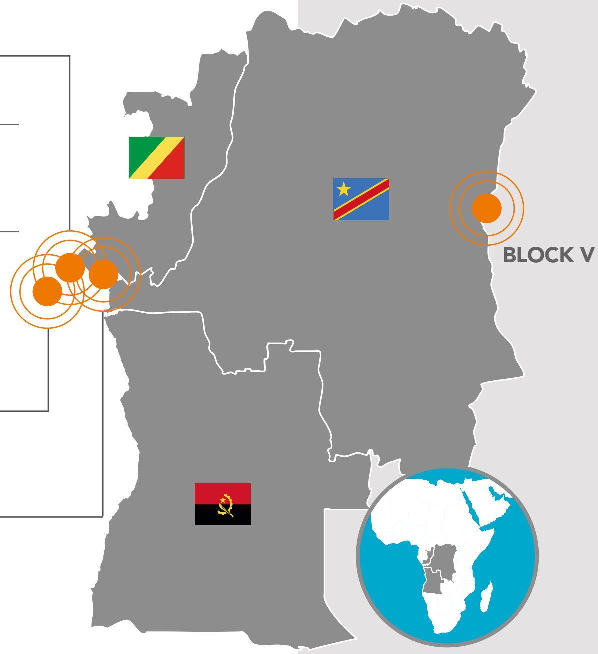
Clearly, the scope of the development programme in the updated FDP will, to a large extent, depend on the oil price outlook at the time and JOC partners' alignment on a development path and appetite to commit capital.

In light of the current oil price, Group production guidance for 2015, at 10,500-12,000 boepd, is lower than 2014 production performance reflecting the reduced scope of 2015 TGT drilling, limited to wells approved under the original FDP and the H5 FDP, as well as conservative estimates of initial flow rates from H5. Production from TGT could be increased from the existing well stock by perforating additional horizons, optimising reservoir management by shutting off higher water-cut wells and through the early start-up of the H5 development. SOCO is discussing all these initiatives with the HLJOC partners. It is our expectation that, with these measures and by having H5 coming on stream, the production in the field could be increased.

BLOCK 9-2 – CNV FIELD (25% INTEREST; OPERATED BY HVJOC)

The CNV field is located in the western part of Block 9-2, offshore Vietnam and is operated by the HVJOC. SOCO's working interest production from CNV averaged 2,067 boepd in 2014 (2013: 2,059 boepd). In contrast to TGT, the CNV field reservoir is a fractured granitic basement which produces highly volatile oil with a high gas to oil ratio and exploitation is dependent on the fracture interconnectivity to deplete the reservoir efficiently. Accordingly, traditional reservoir properties and stoiip calculations are not straightforward.

VINCENT DUIGNAN
GROUP EXPLORATION MANAGER



Hydrocarbons produced from CNV are transported via subsea pipeline to the BHCPP where wet gas is separated from oil and transported via pipeline to an onshore gas facility for further distribution. The crude oil is stored on a FSO vessel prior to sale. On the BHCPP, dedicated test separation and metering facilities have been installed.

The CNV-7P well drilled in 2014 was designed to target the thus far unpenetrated south west area of the field to increase production. The well encountered unexpected geological problems not previously seen in the upper hole section just above the reservoir, requiring the section to be redrilled. The same problems persisted during two attempted sidetracks preventing successful completion.

The decision was made to suspend the well, and review alternative plans and well paths to enable successful completion. The decision on timing to return to the well is expected in mid-2015 following completion of detailed drilling engineering and rock mechanic studies. However in the current oil price environment SOCO believes the redrill of this well has a low likelihood.

REPUBLIC OF CONGO (BRAZZAVILLE)

SOCO holds its interests in the Marine XI Block in Congo (Brazzaville) through an 85% owned subsidiary, SOCO EPC. SOCO EPC holds a 40.39% interest in the Marine XI Block located offshore in the shallow water Lower Congo Basin and is the designated operator of the Block. SOCO holds a 60% working interest in the Mer Profonde Sud Block, offshore Congo (Brazzaville) through its wholly owned subsidiary, SOCO Congo BEX Limited.

MARINE XI

Lidongo X Marine 101 Well
The LXM-101 well, 23 kilometres north west of Pointe Noire in approximately 45 metres water depth, was drilled to a total depth of 2,665 metres, encountering oil in a Clastics sequence in the Djeno sand formation.

The test, over a perforated 20 metre section, produced at a stable average post-frac flow rate of 4,800 bopd and 3.5 mmscfd on a

AFRICA: TRAINING OUR WORKERS

We provide training on a regular basis, such as this exercise on the Republic of Congo coast, where our workers practise contamination response techniques.

SERGE LESCAUT
GENERAL MANAGER, AFRICA REGION

56/64" fixed choke with a flowing wellhead pressure of 778 psi following the successful execution of the stimulation frac. The oil was 32 degrees API.

The well results are being analysed to determine continuity with the nearby discovery on Marine XII and discussions with the authorities are ongoing to submit the documentation required to allow unitisation with that field.

NANGA II A

Following the completion of the interpretation of the reprocessed seismic data, the exploitation licence expired in October 2014. We are no longer undertaking work on Nanga II A but have approached the Congolese Ministry of Hydrocarbons to discuss a potential work programme and commercial terms for a possible Production Sharing Agreement for the area. Discussions are ongoing at this time.

MER PROFONDE SUD

The Company's farm-in to acquire a 60% working interest in the offshore MPS Block has been completed following government approval of the commencement of the relevant two year licence period from 1 June 2014. We have been working with our partners on a detailed well location study and are very optimistic about the exploration potential of the MPS Block. However, given the prevailing market conditions in early 2015, drilling of the well has been delayed until 2016.

DEMOCRATIC REPUBLIC OF CONGO (KINSHASA)

SOCO holds its onshore interest in the DRC though its 85% owned subsidiary, SOCO E&P DRC. SOCO E&P DRC holds an 85% working interest and is the designated operator in Block V, situated in the southern Albertine Graben in eastern DRC.

BLOCK V

After receiving all necessary regulatory approvals, the lake bed seismic survey on Lake Edward was completed in June 2014. Safety of the crew was of primary importance. The survey was successfully completed in six weeks amid challenging conditions with no lost time injuries. Processing of the seismic data has been completed. Data interpretation is currently underway in the UK and should be completed by mid-2015. The Company no longer has any personnel on Block V and after providing the DRC government with interpretation of the results of the seismic anticipates no further involvement in the Block. It is our intention to leave behind all the humanitarian aid that SOCO has provided in medical, water purification and communications facilities for the benefit of the people.

ANGOLA

CABINDA NORTH

Following incorporation of the results from the 2013 drilling programme, the detailed plans for operations in 2015 have been reviewed by the partnership. The licence expires at the end of March 2015, however a three year licence extension for the continuation of exploration activities has been requested effective from 1 April 2015 with a new contractor group interested to continue their involvement.

REVIEW OF OPERATIONS CONTINUED

GROUP COMMERCIAL RESERVES AND CONTINGENT RESOURCES EVALUATION

Against the background of lower oil prices and the resultant uncertainty around the scope and timing of future development activities, in particular due to partner reluctance to commit to additional capital expenditures, we have revised down the 2P reserves estimates for our portfolio, with a portion being re-classified into Contingent Resources.

Reserve Statistics on p100

TGT COMMERCIAL RESERVES AND CONTINGENT RESOURCES

For TGT the re-classification of reserves into Contingent Resources reflects the fact that there is not yet agreement among JOC partners on the scope of development activities and level of investment following the current FDP and H5 FDP approved wells, all of which will be drilled in 2015. SOCO has estimated reserves assuming the drilling of only existing approved and a small number of likely near term wells and optimal field management. All volumes beyond this scope of development activities are being classified as contingent. The range of reserves and Contingent Resources volumes continue to capture management's view of the full potential of the TGT field. The estimates are grounded in the results of the ERCE Dynamic Simulation Model and the current field performance and reflect the degree of uncertainty around the oil-in-place estimates.

TGT FIELD OIL-IN-PLACE ESTIMATES

	P90	P50	P10
Stock Tank Oil Initially In Place	498	759	1,052

Figures in mmbbl

TGT FIELD GROSS

COMMERCIAL RESERVES + PRODUCTION INCEPTION TO YEAR END 2014	1P	2P	3P
Oil	120.0	160.0	200.0
Gas	6.3	9.8	13.6
Total	**126.3**	**169.8**	**213.6**
CONTINGENT RESOURCES	**1C**	**2C**	**3C**
Oil	55.0	80.0	115.0
Gas	4.8	8.0	11.9
Total	**59.8**	**88.0**	**126.9**
TOTAL ULTIMATE RECOVERY	**1P & 1C**	**2P & 2C**	**3P & 3C**
Oil	175.0	240.0	315.0
Gas	11.1	17.8	25.5
Total	**186.1**	**257.8**	**340.5**

Figures in mmbbl/mmboe

SOCO WORKING INTEREST REMAINING RESERVES AND RESOURCES AT 31 DECEMBER 2014

COMMERCIAL RESERVES	1P	2P	3P
Oil	22.2	34.4	46.6
Gas	1.0	2.1	3.3
Total	**23.2**	**36.5**	**49.9**
CONTINGENT RESOURCES	**1C**	**2C**	**3C**
Oil	16.8	24.4	35.1
Gas	1.5	2.4	3.6
Total	**18.3**	**26.8**	**38.7**
SUM OF RESERVES AND CONTINGENT RESOURCES	**1P & 1C**	**2P & 2C**	**3P & 3C**
Oil	39.0	58.8	81.7
Gas	2.5	4.5	6.9
Total	**41.5**	**63.3**	**88.6**

Figures in mmbbl/mmboe

CNV COMMERCIAL RESERVES AND CONTINGENT RESOURCES

Our previous CNV 2P reserves estimate was predicated on the successful drilling of the CNV-7P well, targeting the south west area of the field and a material increase in production. Disappointingly, due to unexpected geological issues the well failed to reach the target reservoir. The JOC partners have agreed to carry out further drilling studies and have included the cost of re-drilling the CNV-7P well in the contingent budget for 2015. However, as SOCO now believes there is a low likelihood of this well being drilled in the current oil price environment SOCO has reduced the CNV reserves estimate and moved volumes associated with the CNV-7P and future wells to Contingent Resources.

SOCO WORKING INTEREST REMAINING AT 31 DECEMBER 2014	
COMMERCIAL RESERVES	2P
Oil	3.0
Gas	1.3
Total	**4.3**
CONTINGENT RESOURCES	2C
Oil	2.6
Gas	1.4
Total	**4.0**

Figures in mmbbl/mmboe

VIODO CONTINGENT RESOURCES

The reserves associated with the Viodo field in the Marine XI Block have been re-classified as Contingent Resources as there are no plans for commercial standalone development at this time. However, we believe that there is potential in the future to recognise Contingent Resources on the Marine XI Block from Lideka East and from the Lidongo discovery as it is further evaluated and progressed towards unitisation with the nearby Litchendjili field which itself is being developed in 2015.

FIELD GROSS IN PLACE	
COMMERCIAL RESERVES	2C
Oil	20.0
Gas	–
Total	**20.0**
SOCO WORKING INTEREST REMAINING AT 31 DECEMBER 2014	
CONTINGENT RESOURCES	2C
Oil	8.1
Gas	–
Total	**8.1**

Figures in mmbbl/mmboe

FINANCIAL KEY PERFORMANCE INDICATORS

KPI

	2014	2013
Oil price realised ($/bbl)	**102.91**	112.62
Oil and gas revenues ($m)	**448.2**	608.1
Operating cost per barrel ($)	**9.04**	8.06
DD&A per barrel ($)	**10.12**	7.33
Gross profit ($m)	**304.4**	439.0
Profit for the year ($m)	**14.0**	104.1
Cash, cash equivalents and liquid investments ($m)	**166.4**	210.0
Net cash from operating activities ($m)	**251.2**	314.4
Capital expenditure ($m)	**162.5**	99.1
Distributions (pence per share)	**22.0**	40.0

KPI See Additional Information – Key Performance Indicators on page 99 for all KPIs employed and their definitions

FINANCIAL REVIEW

ANYA WEAVING
CHIEF FINANCIAL OFFICER

The Group's financial results delivered solid revenue of $448.2 million, albeit down from the 2013 results, reflecting both lower production and lower realised average oil price of c. $103 per barrel (2013 – c. $113 per barrel). The Group is reporting a post-tax profit for the year of $14.0 million (2013 – $104.1 million), which includes an exploration write-off of $79.5 million associated with costs incurred on the Albertine Graben Block V in eastern DRC and costs of new ventures, and a gross impairment charge on the CNV asset of $60.5 million (net $38.2 million after tax impact). Before accounting for the non-cash impact of the exploration write-offs and impairments, post-tax profits were down from $196.1 million in 2013 to $131.7 million in 2014.

Operating cash flow came in at $251.2 million in 2014, down from $314.4 million in 2013, reflecting lower sales volumes and lower realised oil prices. Capital expenditures were up from $99.1 million in 2013 to $162.5 million in 2014 predominantly due to the TGT H5 development and exploration activity in Africa. SOCO made its second return of cash to shareholders during 2014 of c. $119 million, bringing the total returned in the Company's short history of making distributions to c. $333 million.

With cash, cash equivalents and liquid investments of $166.4 million at 2014 year-end – dropping only $43.6 million year-on-year despite the significant capital programme, second substantial return to shareholders and lower operating cash inflows – SOCO has exited 2014 with substantial financial flexibility.

A significant drop in the oil price in the latter part of 2014 brought a lot of uncertainty and volatility to the industry highlighting the importance of financial flexibility and strong cost discipline. In response to the lower oil prices, we have deferred drilling the MPS exploration well to 2016 and undertaken several actions to reduce our general and administration costs, notably by eliminating the separate new ventures office and reducing general and administration costs in our regional offices by approximately 25%.

Against the challenging environment of lower oil prices, SOCO is in a relatively strong position given its robust balance sheet, low operating costs and attractive Vietnam production economics with operating cash flow break-even oil price per barrel in the low $20s. The cash operating costs of our production portfolio were approximately $9 per barrel of oil equivalent in 2014, estimated to move to just below $12 per boe in 2015, reflecting the predominantly fixed TGT cost base and lower production.

The Company has sufficient cash flow and cash balances to meet its ongoing development and exploration expenditure and has capacity beyond that to take advantage of opportunities that may arise in this market. The 2015 firm capital expenditure budget is expected to be in the region of $90 million, with c. $70 million for Vietnam and around $20 million for Africa, and a contingent capex budget of c. $25 million pending approval of additional development wells in Vietnam.

INCOME STATEMENT

OPERATING RESULTS

Revenue
Revenue from oil and gas production from the Group's south east Asia production assets in Vietnam was $448.2 million compared with $608.1 million in 2013. This decrease in revenue is due to lower sales volumes and a lower realised oil price. The Group's working interest share (which is equivalent to its entitlement interest) of production during 2014 was 13,605 boepd, down from 16,694 boepd in 2013, mainly due to part of the capacity of the TGT FPSO being made available, from May 2013, to the TLJOC which operates a contiguous field to the north of TGT (also see the Review of Operations on pages 15 to 23). During 2014, the Group realised an average oil price of $102.91 per barrel of oil sold compared with $112.62 per barrel in 2013.

FINANCIAL REVIEW
CONTINUED

KEY FINANCIAL METRICS

	2014	2013	CHANGE
Oil and gas revenues ($m)	**448.2**	608.1	-26.3%
Oil price realised ($/bbl)	**102.91**	112.62	-8.6%
Gross profit ($m)	**304.4**	439.0	-30.7%
Administrative expenses ($m)	**(11.8)**	(13.2)	-10.6%
Exploration costs written off ($m)	**(79.5)**	(92.0)	-13.6%
Impairment of property, plant and equipment ($m)	**(60.5)**	–	–
Operating profit ($m)	**152.6**	333.8	-54.3%
Operating profit before exploration write-off and impairment ($m)	**292.6**	425.8	-31.3%
Profit for the year ($m)	**14.0**	104.1	-86.6%
Profit for the year before exploration write-off and impairment ($m)	**131.7**	196.1	-32.8%
Operating cash flow before working capital, interest and tax ($m)	**344.4**	472.0	-27.0%
Change in working capital ($m)	**37.6**	3.3	1039.4%
Net cash from operating activities ($m)	**251.2**	314.4	-20.1%
Capital expenditure ($m)	**(162.5)**	(99.1)	64.0%
Payment to abandonment fund ($m)	**(9.6)**	(15.0)	-36.0%
Free cash flow ($m)	**41.0**[1]	200.3[2]	-79.5%
Cash, cash equivalents and liquid investments ($m)	**166.4**	210.0	-20.8%
Distributions to Shareholders ($m)	**119.2**	213.3	-44.1%
Distributions (pence per share)	**22**	40	-45.0%

[1] For 2014, free cash flow is calculated as operating cash flow before movements in working capital and after payments for income taxes, capital expenditure and abandonment.
[2] For 2013, free cash flow is calculated as net cash from operating activities and after payments for capital expenditure and abandonment.

Cost of Sales
Cost of sales in 2014 were $143.8 million versus $169.1 million in 2013. This decrease is mainly associated with the TGT field where cost of sales was $125.7 million including an inventory credit, recorded at market value, of $1.0 million (2013 – $157.0 million including an inventory charge of $5.3 million). Cost of sales associated with the CNV field was $18.1 million, including an inventory charge of $2.5 million (2013 – $12.1 million, including an inventory credit of $1.7 million).

Production operating costs for TGT were $38.2 million for 2014 down from $42.6 million in 2013 mainly due to a full year's allocation of costs to the TLJOC via a tariff arrangement for the use of the TGT FPSO which started in May 2013, and lower production. Production operating costs associated with CNV were $5.0 million in 2014, similar to 2013.

Royalties on oil sales from TGT and CNV in 2014 totalled $34.3 million consistent with lower revenue compared with $46.4 million in 2013. Export duty arising on TGT oil sales amounted to $7.6 million in 2014, down from $19.6 million in 2013, due to lower oil sales revenues and a proportion of cargoes being sold into the domestic market which are not subject to export duty. All CNV oil was sold into the domestic market in both 2013 and 2014.

DD&A charges were $50.1 million during 2014 compared with $44.6 million in 2013 mainly reflecting the cost basis of the TGT development offset by lower production. Following the revision to reserves estimates and associated expenditures, as noted below, the carrying value of CNV has been reduced to its fair value as at 31 December 2014. DD&A on both TGT and CNV will reflect the revised production and future capital expenditure profiles from 2015.

Operating costs in 2014 on a per barrel basis (excluding DD&A, inventory movements and sales related duties and royalties) were approximately $9.00 per barrel compared with approximately $8.10 per barrel in 2013. The primary cause of the increase is related to the lower production volumes on the TGT field which has dedicated production and processing facilities on the FPSO, the costs of which, net of TLJOC allocations, are predominately fixed.

On a per barrel basis, DD&A increased from approximately $7.35 per barrel in 2013 to approximately $10.10 per barrel in 2014 reflecting a higher estimated cost basis of developing the TGT reserves, based on the prevailing estimates during 2014.

Administrative Expenses
Administrative expenses decreased to $11.8 million for the 12 months to December 2014 down from $13.2 million in 2013. This decrease is primarily due to lower employee costs in 2014 associated with the use of a deferred share bonus scheme.

Exploration Costs
During 2014, exploration costs including costs associated with the Albertine Graben Block V in eastern DRC and costs associated with the early stages of new ventures in the amount of $73.6 million, were written off in the income statement in accordance with the Group's accounting policy on oil and gas exploration and evaluation expenditure. In accordance with IAS 37, a further $5.9 million has been accrued in respect of anticipated future expenditure to complete the current work programme on Block V in the absence of plans to continue thereafter. In 2013, the charge of $92.0 million represents the costs incurred, since its acquisition, on the relinquished Nganzi licence, onshore DRC.

Impairment of Property, Plant and Equipment
As discussed in the Review of Operations on pages 15 to 23 management's estimates of the CNV proved and probable oil and gas reserves have reduced. Combined with lower oil prices this has led to the estimated recoverable amount of the CNV producing asset being less than the book carrying value. Consequently, a pre-tax impairment charge in the amount of $60.5 million has been reflected in the income statement in accordance with the Group's accounting policy set out in Note 2(h). The associated tax credit of $22.3 million is reflected in Note 11. As at 31 December 2014, the fair value of the asset is estimated at $104.4 million based on a discount rate of 10% and an oil price reflecting the current three year forward curve and $90 per barrel (plus 2.5% inflation) thereafter.

TAX

The tax expense decreased from $229.2 million in 2013 to $138.7 million in 2014 consistent with the lower profit in the year and tax credit associated with CNV impairment (see above). The effective tax rate in Vietnam during 2014 and 2013 approximated the statutory rate of 50%.

PROFIT FOR THE YEAR

The Group's profit after tax in 2014 was $14.0 million, down from $104.1 million in 2013. Basic and diluted earnings per share decreased from 31.7 cents in 2013 to 4.3 cents in 2014 and from 31.6 cents in 2013 to 4.2 cents in 2014, respectively.

BALANCE SHEET

Intangible assets decreased by $6.6 million since year end 2013. The decrease caused by the exploration write-off described above associated with prior period costs was offset by continued exploration activity in the Group's Africa region, including the successful LXM-101 exploration well on MXI, offshore Congo (Brazzaville).

Property, plant and equipment decreased by $11.3 million since 2013 year end due to pre-tax impairment on the CNV asset (see above), partially offset by costs associated with TGT field development and appraisal activities and CNV development drilling less DD&A charges.

Other non-current receivables of $24.6 million (31 December 2013 – $15.0 million) comprise abandonment security funds for TGT and CNV which have been established to ensure that sufficient funds exist to meet future abandonment obligations. The funds are operated by PetroVietnam and partners retain the legal rights to the funds pending commencement of abandonment operations.

Oil inventory was $6.1 million at 31 December 2014, down from $7.3 million at year end 2013. Trade and other receivables at year end 2014 were $39.6 million, down from $68.9 million at 31 December 2013. The movements in oil inventory and trade receivables arise mainly due to the timing of oil sale liftings and the oil price realised.

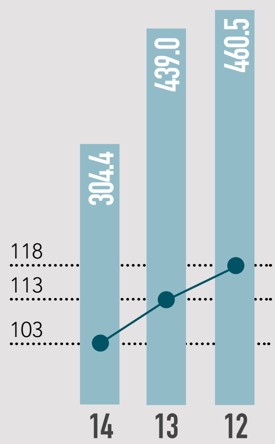
SOCO's cash, cash equivalents and liquid investments decreased over the year from $210.0 million to $166.4 million at 31 December 2014. During 2014, the Company returned $119.2 million (2013 – $213.3 million) to shareholders (see below), funded exploration and development capital expenditure as described above, and made further contributions to two abandonment funds in Vietnam (see above). Despite these significant cash outflows cash generated from production operations in Vietnam meant that cash, cash equivalents and liquid investments decreased by just $43.6 million over the year.

The Group's trade and other payables increased to $43.9 million at 31 December 2014 from $36.1 million year end 2013 partly due to provision, in accordance with IAS 37, for costs expected to be incurred during 2015 in relation to Albertine Graben Block V, where, once the current work programme is complete, no further activity is planned. Tax payables decreased from $18.5 million last year end to $11.6 million this year end consistent with timing and volumes of liftings in Vietnam where tax is paid on each cargo lifted.

Deferred tax liabilities increased to $200.2 million at 31 December 2014 from $184.2 million year end 2013, mainly due to accelerated tax depreciation and other timing differences associated with the Group's south east Asia segment, net of the tax credit

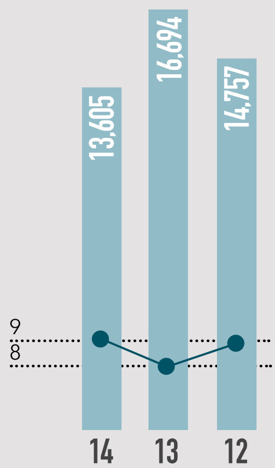
KEY DATA

GROSS PROFIT
REALISED OIL PRICE



$/MILLION
$/BARREL

PRODUCTION
OPERATING COST



BOEPD
$/BARREL

FINANCIAL REVIEW
CONTINUED

associated with the impairment of CNV (see above). Long term provisions related to the Group's decommissioning obligations in south east Asia at $51.1 million were up from $42.9 million last year end mainly due to the installation of additional TGT facilities and the drilling of TGT development wells.

CASH FLOW

Net cash flows from operating activities in 2014 mainly comprise the Group's continuing Vietnam operations and amounted to $251.2 million compared with $314.4 million in 2013. The decrease is mainly due to the lower contribution of production from the TGT field including the associated impact on working capital movements, as described above.

Capital expenditure for the year ending 31 December 2014 was $162.5 million compared with $99.1 million in 2013. The higher capital spend in 2014 reflects a more active development programme, including the TGT H5 development and TGT and CNV drilling activity, compared to the prior year.

DISTRIBUTION TO SHAREHOLDERS

During the year, the Company announced a second return of value to shareholders of 22 pence per Ordinary Share (2013 – 40 pence per Ordinary Share) amounting to £73 million, being $119.2 million (2013 – £133 million, being $213.3 million), in cash by way of a B/C share scheme, which gave shareholders (other than certain overseas shareholders) a choice between receiving cash in the form of income or in the form of capital. The return of value, which was approved by shareholders on 22 September 2014, became effective on 30 September 2014. Despite the current oil price environment, the Board has proposed a dividend of 10 pence per Ordinary Share subject to approval by Shareholders at the AGM (see Note 33).

KEY PERFORMANCE INDICATORS

SOCO uses a number of financial and non-financial KPIs against which it monitors its performance. Detailed KPI targets for the next year are set out in the annual budget. At each Board meeting these expectations are reviewed for progress against actual results and adjusted to accommodate changes in the operating environment including oil price fluctuations.

SOCO's KPIs are set out and discussed in the Review of Operations on pages 15 to 23, the Financial Review herein and the CSR Report on pages 34 to 45. They are also set out in full on page 99 where they are defined.

OWN SHARES

The SOCO Employee Benefit Trust holds ordinary shares of the Company (Shares) for the purpose of satisfying long term incentive awards for senior management. At the end of 2014, the Trust held 3,294,111 (2013 – 3,666,213) Shares, representing 0.97% (2013 – 1.08%) of the issued share capital (see Note 25 to the Financial Statements).

In addition, as at 31 December 2014, the Company held 9,122,268 (2013 – 9,122,268) treasury Shares, representing 2.67% (2013 – 2.68%) of the issued share capital (see Note 25 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 Strategic Report on pages 4 to 45. The Group has a strong financial position and based on future cash flow projections should comfortably be able to 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 and have prepared the accounts on a going concern basis as described in the Annual Report of the Directors on page 50.

RISK MANAGEMENT REPORT

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 and Risk Committee providing detailed oversight. The Board has designated the Deputy Chief Executive Officer as the executive responsible for the Company's risk management function. He is supported in this task by the Chief Financial Officer, 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 risks or changes to existing risks considered at each Audit and Risk Committee meeting. Annually, the Audit and Risk 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 57 and in the Audit and Risk Committee Report on pages 60 to 62 where the significant issues related to the 2014 Financial Statements are also reported. Below is a summary of the key risks affecting SOCO and how we mitigate those risks to enable the Company to achieve its strategic objectives.

OPERATIONAL RISK

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.

Mitigation: 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

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.

Mitigation: 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.

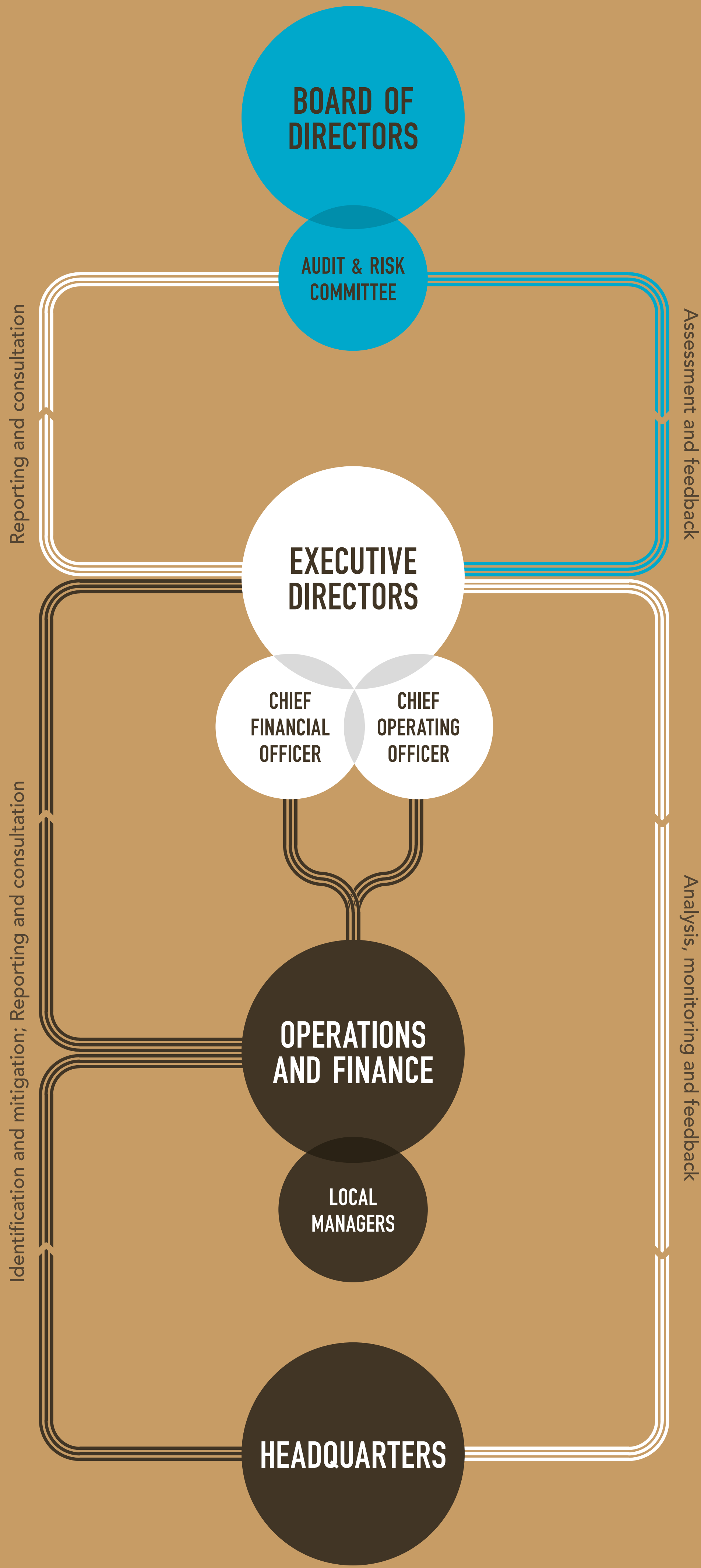
RESERVES RISK

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, development or non-conventional fracture basement reservoirs, 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 DD&A costs and impairment. Reserve estimation may also be sensitive to oil price fluctuations which are outside the Company's control.

Mitigation: Reserve estimates are reviewed at least twice a year and are regularly reviewed by external 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.

Risk: Portfolio management through exploration, appraisal or acquisition may fail to yield reserves in commercial quantities sufficient to replace production.

OUR RISK MANAGEMENT PROCESS



Mitigation: 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

Risk: The Group operates in an industry sector with inherent high risks associated with HSES. 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 (including human rights) and environmental factors as well as health and safety matters, including security.

Mitigation: SOCO aims to mitigate such risks by actively engaging with local communities and governments, using specialist consultants and by maintaining appropriate HSES policies and procedures. Further details of how SOCO addresses these risks can be found in the CSR Report on pages 34 to 45.

During 2014, SOCO further developed its HSES Management Systems, which provides a framework for managing HSES issues, to bring its policies into line with the World Bank IFC Performance Standards on Environment and Social Sustainability published in 2012. This is discussed further in the CSR section of the Strategic Report on pages 4 to 45.

POLITICAL AND REGIONAL RISK

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

Mitigation: SOCO seeks to minimise such risks by using in-country professional advisors and by engaging directly with the relevant authorities where appropriate.

Risk: Some of the Group's interests are in regions identified as potentially more susceptible to business interruptions due to the consequences of possible unrest.

Mitigation: The Group assesses the risks of operating in these areas before beginning operations 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.

Risk: Eastern DRC, where the Company has an interest in Block V, has a history of conflict. The risk of human rights violations by conflicting parties is heightened in areas of conflict, which may expose SOCO to the risk of accusation of complicity or collusion with alleged perpetrators or expose Company employees or associates to direct abuse.

Mitigation: As discussed in the CSR Report on page 38, SOCO has a policy of upholding human rights in all areas in which we operate. Consequently, SOCO has developed processes to closely engage with the local communities with which we work and procedures for addressing concerns. SOCO examines the risk that it may be associated, either directly or indirectly, with a party accused of violations. Where such an exposure, actual or perceived, exists actions are taken to protect the Company and its personnel from an inappropriate association and reports any relevant findings to the most appropriate authority.

Risk: The Company may be accused of exploiting poor working conditions and reinforcing discriminatory beliefs.

Mitigation: This is directly contrary to SOCO's policy of implementing international labour standards and equal human rights. See the CSR Report on pages 34 to 45 for further information.

BUSINESS CONDUCT AND BRIBERY RISK

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.

Mitigation: The Group seeks to mitigate these risks by ensuring that it has appropriate procedures (including vendor due diligence) 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. Annual training and compliance certifications by all associated persons refreshes and reinforces SOCO's Code of Business Conduct and Ethics.

Running in parallel with the Group's general risk management process, the Audit and Risk 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 maintains an Ethics Hotline Service

RISK MANAGEMENT REPORT CONTINUED

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.

STAKEHOLDER AND REPUTATIONAL RISK

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. Actions of international bodies may harm the objectives of the Company and its regional partners.

Mitigation: 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 CSR Report on pages 34 to 45 for further information.

Risk: Following the announcement of the Company's distribution policy, the nature of its investors has become more income focused. Shareholder relations may be impacted negatively by a reduction in distributions, reduced expectations of the fundamental value of the Company and its share price.

Mitigation: The Company provides opportunities for direct interfaces with shareholders and analysts at least three times a year and maintains a website to disseminate information widely and in a timely fashion. In addition, the Chairman and Senior Independent Director have participated in a number of investor meetings.

COMMODITY PRICE RISK

Risk: Exposure to fluctuations in crude oil prices may lead to reduced cash flows, impairment of assets or locked in losses in long term contracts. The recent rapid decline in the oil price has significantly impacted the industry as a whole, including SOCO. 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.

Mitigation: SOCO has responded to the current price environment by undertaking a number of initiatives including identifying capital and operating expenditure savings both in its Vietnam and Africa regions, taking stringent measures to reduce general and administration costs, especially in Africa and associated with new venture activities, and an in depth review of its portfolio of assets and carrying values.

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

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.

Mitigation: The Group seeks to minimise the impact that debt financing has on its balance sheet by negotiating borrowings in matching currencies. The impact of a 10% movement in foreign exchange rates on the Group's net assets as at 31 December 2014 would not have been material (2013 – not material) and would not have been material with respect to the Group's profit in 2014 (2013 – not material).

LIQUIDITY AND CREDIT RISK

Risk: The Group carried significant cash balances throughout the year thereby decreasing its exposure to liquidity risk and increasing its exposure to credit risk.

Mitigation: 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.

Risk: The Group's maximum exposure to credit risk as at 31 December 2014 was $274.5 million (2013 – $333.0 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 17 to the financial statements) and a receivable in respect of two accumulating abandonment funds in Vietnam. The Group's and Company's other financial assets comprise investments, trade receivables and cash and cash equivalents.

Mitigation: The Group seeks to minimise credit risk by only maintaining balances with creditworthy third parties including major multinational 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 to 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. In addition, the Company plans sustainable annual distributions to shareholders with returns targeting 50% of the Company's annual free cash flow. The Group meets these requirements through an appropriate mix of available funds, equity instruments and, when required, debt financing. The Group's ability to pursue its operational objectives is discussed in the Financial Review on pages 24 to 28. The Group seeks to minimise the impact that any debt financings have on its balance sheet by negotiating borrowings in matching currencies when required. 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 VOLATILITY RISK

Risk: The Group's exposure to this risk is currently considered to be low as it is debt free. The Group earns interest on its cash, cash equivalents and liquid investments at floating and fixed rates. The fair value of the Group's non-current financial asset (see Note 17 to the financial statements) is also dependent on the discount rate used.

Mitigation: 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 impact on the Group's profit for the year ended, and its net assets at 31 December 2014 would not have been material (2013 – not material).

CONTRACTUAL RISK

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.

Mitigation: In considering any financial impact on the Group's financial statements, income, expenses, assets and liabilities are recognised in accordance with applicable IFRSs and IASs.

CAPITAL RISK MANAGEMENT

Risk: 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.

Mitigation: The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 24, 25 and 27 to the Financial Statements and in the Statement of Changes in Equity. The Company may consider raising further debt or equity finance at the appropriate time.

CORPORATE SOCIAL RESPONSIBILITY REPORT

ANTONY MARIS
CHIEF OPERATING OFFICER

Wherever we operate, sensitivity to stakeholder interests, zero tolerance for corruption, the safety and security of employees, a positive social impact, minimum environmental footprint and respect for human rights are integral to SOCO. These form the natural and necessary foundation of our sustainable business model and of our international operations.

The oil and gas industry has the ability to be a positive and powerful force for economic development and our goal is to contribute towards meeting the world's energy needs. Through our portfolio of exploration and development projects, we work responsibly to create value whilst bringing long term social and economic benefits to the countries and communities in which we are present.

Our core values of honesty, trust, fairness, respect and responsibility are embedded across our activities and are integral to our CSR policies and practices. Our approach seeks to protect not only people, communities and the environment but also our reputation in the host countries.

In our industry, the health, safety, security and wellbeing of people and of the environment are at the forefront of our thinking. That is why we strive to ensure there are robust processes and systems in place.

Our business aim is make a net positive contribution through balancing the needs for energy security; economic development; social improvement; and protection of the environment. This aim drives our CSR approach, set out in our Code of Business Conduct in addition to our Health, Safety, Environment and Social (HSES) policies. As part of our commitment to maintain the highest standards in our CSR efforts and awareness, our HSES policies and HSES Management System (HSES MS) were reviewed in 2014 and aligned with the International Finance Corporation (World Bank Group) Environmental and Social Performance Standards. Our revised system has since been rolled out across our Africa operations and all our SOCO direct hires have been trained in its requirements. We are working closely with our partners, contractors, and suppliers to promote our high standards and align their systems as far as possible with our approach.

We are proud of our industry-leading safety track record and of the positive imprint that we have achieved in our social investment programmes. Supporting and sustaining the health of the communities in which we operate is fundamental to our purpose and success and we continue to remain committed to sustained economic development in our areas of activity. However, as proud as we are of our achievements today, we are not complacent and continue to listen to our stakeholders on how we can continuously improve our approaches and systems to ensure a positive impact. Through 2015, our continued CSR management, monitoring and reporting will enable SOCO to continue to responsibly develop, whilst learning from and improving our HSES performance, creating competitive advantage at the same time as delivering value for all stakeholders.

> **"OUR APPROACH TO CSR IS ABOUT CREATING VALUE THROUGH RESPONSIBLE BUSINESS"**

ANTONY MARIS
CHIEF OPERATING OFFICER

RESPONSIBLE SUSTAINABLE DEVELOPMENT IS CRITICAL TO HOW WE ACHIEVE A POSITIVE IMPRINT

OUR CORPORATE SOCIAL RESPONSIBILITY OBJECTIVES FOR SUSTAINABLE ECONOMIC DEVELOPMENT

Our CSR objectives for sustainable economic development are translated into our HSES policies which are accessible to all our employees and contractors through our HSES MS and made publicly available to our stakeholders on our corporate website. Our CSR objectives are implemented through our HSES MS procedures which include the requirement to monitor and measure the progress in meeting these key criteria. The HSES MS plays a critical role in meeting our commitment to continuous improvement in the management of our operational risks. The HSES MS is consistent with the requirements of the internationally-recognised standards ISO 14001 and OHSAS 18001 and going forward, we are reviewing the procedures and processes to look to get our business units certified to these standards.

In 2014, the HSES polices and HSES MS were reviewed and revised by RPS Energy to align with IFC World Bank requirements such that they now provide the framework for implementing the IFC Performance Standards (2012). RPS Energy have been retained as SOCO HSES advisors and in this role can provide both critical review, and HSES support to ensure the HSES MS meets the required standards and is being implemented through all projects for which SOCO is the designated Operator.

All SOCO staff have been trained in the new requirements and the HSES MS has now also been translated into French. In 2015, a review of the HLHVJOCs' HSES MS will examine the potential to align with these requirements.

CORPORATE SOCIAL RESPONSIBILITY REPORT CONTINUED

OUR BUSINESS – TO PROVIDE RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

SOCO is an upstream, international oil and gas exploration and production company. We are a participating partner in six oil licence interests in Vietnam, Congo (Brazzaville), DRC and Angola. Our core business is to add shareholder value by recognising opportunity, capturing potential and realising value. We do this by:

- gaining access to investment opportunities in projects or regions early on in the project life cycle where there is potential to create significant upside through our participation;
- applying our managerial, technical and commercial expertise to progress the project through its formative stages or through periods of difficulty; and
- locking in the investment returns once our capacity to add value begins to diminish.

Our aim is to ensure that all of our stakeholders benefit from our operations and the wealth that we create. We contribute to the economic development of the countries where we operate, and by doing so, build a reputation as a reliable, fair and responsible company.

We apply our technical, managerial and commercial expertise to create jobs in local communities; provide training and technical assistance; stimulate the local economy; enhance the capacity of host governments; pay relevant taxes and governmental fees; generate revenues from hydrocarbon production; and create returns for our shareholders. From the initial decision to invest, through to the management and divestment of operations, we are guided by an approach to bring economic rewards to our stakeholders, safely and responsibly.

Our approach in both exploration and development is to partner with other businesses and host governments through their national oil companies. This means that our portfolio varies by our degree of ownership, operatorship and influence. In light of this, our approach to responsible and sustainable development is tailored to the individual 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 and sustainable development aligned with our values and objectives into the project. We assess the capabilities of our contractors to meet technical as well as HSES specifications for our activities and we have procedures to capture, record and review lessons learned from our operational activities.

Our licence to operate depends on transparent relationships with host governments, local communities, partners, employees, shareholders, NGOs, contractors and the media. We maintain an open dialogue with them as we strive to balance their interests with ours.

Our relationships with our business partners, host governments, local communities, contractors and our employees are highly valued and our success as an international business depends on building and maintaining the support of the local communities amongst whom we operate. We take a long term approach to listening and responding to the needs of our stakeholders, and contributing to the development of communities through targeted investments which meet our business objectives as well as being material to our stakeholders. We also work to ensure that our stakeholders benefit from our operations and the wealth that these operations generate, and by doing so seek to build on our reputation as a trusted, fair, environmentally-responsible and sustainable business.

The Extractive Industries Transparency Initiative was launched 12 years ago to promote transparent reporting by governments of tax and royalty revenues in the mineral resource extraction sector. We support the principles of this initiative and are committed to this effort in Congo (Brazzaville) and the DRC. We also support the Reports on Payments to Government Regulations 2014, effective from 1 January 2015 and consequently will publish the details of tax and royalty payments made to governments around the world by SOCO and our subsidiaries in the next reporting cycle.

KEY BUSINESS RESPONSIBILITY OBJECTIVE DEVELOPMENTS FOR 2014 AND PLANS FOR 2015

OBJECTIVE: TO PROVIDE RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

MEANING	IMPLEMENTATION	OUTCOME 2014	ONGOING PLANS 2015
We endeavour to make a **net positive contribution** through balancing the needs for energy security; economic development; social improvement; protection of the environment and shareholder returns.	Review of HSES policies and procedures to align with IFC (World Bank) Performance Standards. Review the Terms of Reference of the Audit and Risk Committee, clarifying the Committee's responsibility for sustainability within the business.	Alignment of HSES MS with IFC (World Bank) Performance Standards has been completed. Revised 2014 HSES MS has been rolled out across SOCO Africa region. All staff received training on 2014 HSES MS. Revised Terms of Reference of the Audit and Risk Committee were issued and published, clarify ing the Committee's responsibility for sustainability within the business.	• Continue to implement 2014 HSES MS across SOCO's operated projects. • Undertake review of HLHVJOCs' HSES MS. • Become a formal sponsor of the Extractives Industries Transparency Initiative. • Explore potential for membership of leading industry sustainability initiatives, certification under quality assurance standards and adoption of best practice reporting standards (e.g. GRI Guidelines, UN Global Compact, ISO 14001 and OHSAS 18001). • Report KPIs and targets for Group business data reporting in line with industry best practices.

OUR ETHICS – TO CONDUCT OUR BUSINESS IN AN HONEST AND ETHICAL MANNER

We are committed to creating value for shareholders while maintaining integrity and high ethical standards in all our business dealings. We comply with all locally applicable legal, regulatory and licence requirements in the countries where we do business and seek to raise standards to international best practice levels with our business partners. We co-operate fully with governmental and regulatory bodies, however, we do not engage in party politics or make donations to political parties or candidates. Our Code of Business Conduct and Ethics (the Code), together with the Guidelines for Implementation, are compliant with the UK Bribery Act. Implementation of the Code, training and associated internal compliance tests, provides additional assurance to the Company regarding our compliance.

The Audit and Risk Committee assists the Board in monitoring ethical business conduct and challenging that we as an organisation are compliant with the effectiveness of the Code and its supporting policies.

An intensive training platform focusing on the prevention of bribery was introduced in 2014 following the introduction of an enhanced, comprehensive whistleblowing policy and procedures the previous year. The training, which included testing, was rolled out across the Group and has been completed by all staff, including contractors. Going forward, staff are to complete this training as part of their annual review process. Operational staff are additionally required to return a signed declaration confirming that they have complied with the Code throughout the year.

No reports were made to the Company's independent whistleblowing service. During 2014, the Company engaged Clifford Chance LLP to carry out an independent review to assess whether there is evidence supporting the allegations of wrongdoing made by various NGOs and media members of its activities in the DRC (see p11).

KEY ETHICAL OBJECTIVE DEVELOPMENTS FOR 2014 AND PLANS FOR 2015

OBJECTIVE: TO CONDUCT OUR BUSINESS IN AN HONEST AND ETHICAL MANNER

MEANING	IMPLEMENTATION	OUTCOME 2014	ONGOING PLANS 2015
Employees conduct themselves in an appropriate manner avoiding conflicts of interest and allegations of bribery or compromise. Comply with all applicable laws in local countries and conduct business in an ethical way.	Review of contracts for anti-bribery clauses. Continued supply chain due diligence. Training, monitoring and testing. Staff Declaration statements. Whistleblowing policy and procedures refresher started. Fulfilled contractual obligations with host governments and local stakeholders with integrity.	Strengthened procedures for transparency and accountability with staff and contractors. Training completed. Work ongoing. Honoured contracts and obligations with host governments and local stakeholders with integrity.	• Conclude refresh of the whistleblowing policy and provide further training. • Receive Self Declaration Statements from operations staff on an annual basis. • Continue anti-bribery training and testing on, at a minimum, an annual basis. • Group KPIs and targets for group ethical data in line with industry best practices.

CORPORATE SOCIAL RESPONSIBILITY REPORT CONTINUED

OUR PEOPLE – TO ENSURE THE HEALTH, SAFETY, SECURITY AND WELFARE OF OUR EMPLOYEES AND OF ALL THOSE WHO WORK WITH US

We are committed to operating safely and responsibly at all times, and positively impacting the wellbeing of our employees, our contractors and the local communities in which we operate is a priority. Our HSES MS includes procedures and guidelines which support a planned approach for identifying, analysing and managing occupational risks and confirming that our personnel and our contractors have the appropriate competency. Contractors and suppliers are selected on the basis of their HSES competency and performance, alongside commercial, technical quality, business conduct and other considerations. HSES performance is monitored and any incidents recorded and investigated, throughout all operations on a continual basis. Our industry-leading track record in terms of safety speaks for itself, with no Lost Time Injury Frequency (LTIF) recorded in 2014 for our Vietnamese or Congolese activities. One Lost Time Injury (LTI) was recorded in the DRC when a staff member of a contract catering firm sustained a burn to her hand and, as a consequence, had to miss work for two days. Also in the DRC, nine near misses were recorded involving driving incidents, highlighting the importance of traffic management in the industry. SOCO plans to enhance the driver training for 2015.

Although we are a lean company in terms of total number of corporate employees, our people and their welfare is important to us. We are an equal opportunities employer and embrace diversity. SOCO promotes a workplace culture where each person is treated with fairness and respect and we are committed to providing a work environment where our employees can grow both personally and professionally. As an indication of the loyalty that SOCO garners, our corporate employees have an average tenure of eight years. The size of the corporate organisation facilitates every day, direct interaction and multi-disciplinary dialogue amongst personnel and Executives. There were no reported incidents of discrimination in 2014 and no use was made of our internal grievance procedures.

GENDER ANALYSIS

		2014	2013	2012
Directors	Female	2	2	1
	Male	10	10	10
Senior Managers	Female	1	–	–
	Male	1	1	1
Employees	Female	8	7	7
	Male	9	9	7

KEY PEOPLE OBJECTIVE DEVELOPMENTS FOR 2014 AND PLANS FOR 2015

OBJECTIVE: TO ENSURE THE HEALTH, SAFETY, SECURITY AND WELFARE OF OUR EMPLOYEES AND OF THOSE WITH WHOM WE WORK

MEANING	IMPLEMENTATION	OUTCOME 2014	ONGOING PLANS 2015
Effective health, safety, security and welfare management. Working conditions and welfare in terms of human rights management is an imperative.	HSES Policies and HSES MS has been aligned with IFC (World Bank) performance Standards. Development of new procedures and enhancement of existing procedures.	Revised HSES MS has been rolled out across SOCO Africa region. Review of staff hand book and delivery of a supply chain management workshop. HSE audits, and work place inspections undertaken with monthly reporting.	• Conduct HSE audits and inspections according to plan. • Ensure all contractors have access to a grievance mechanism. • Enhance HSES training e.g. enhance driver training, whistleblowing policy/procedure training. • Group KPIs and targets for Group HSE data in line with industry best practices.

SOCIETY – TO ENHANCE THE WELLBEING OF OUR HOST COMMUNITIES

Fundamental to our CSR strategic objectives is the commitment to support the welfare of the local communities amongst whom we operate in an effective and sustainable manner. SOCO's social impact therefore takes many forms, notably capacity building through developing new skills, creating jobs and stimulating the local job market in developing countries, often in some of the poorest parts of the world. To achieve positive social impact, we rely on meaningful engagement, being respectful of local communities and their interests as well as assisting host communities, local companies and governments with technical cooperation, knowledge sharing, training with mentoring and supporting health and educational programmes.

The process for our social investment project selection is driven by our CSR strategic objectives, the category of project and the country of operation given the local regulatory context and the degree of influence we have in our projects. We have prioritised, where applicable, the support of projects which meet our objectives and this commitment lies across all the countries in which we operate, namely Vietnam, Congo (Brazzaville) and DRC.

In Congo (Brazzaville) and DRC, we have greater influence over the projects, given the ownership structure, and accordingly are in a position to suggest to Government, following consultation, what the structure of projects could be to achieve positive impact on our host communities in which we operate. In Vietnam, our JOC Partners lead these projects and we contribute according to the stipulated requirements at the outset of the JV relationship. In Vietnam, 50% of the total social projects were additional voluntary contributions and accounted for 10% of the total social budget spent. In Africa, 14% of our social projects were voluntary and accounted for 8% of the total social budget spent.

Our commitment to the fundamental principles of human rights is embedded in our HSES polices and throughout our business processes touching our own workers and reaching out into our supply chain, affected communities and other stakeholders. We maintain the social responsibility and security of our operations within a framework that ensures respect for human rights. We have adopted the Voluntary Principles on Security and Human Rights implemented through our social and security policies and supporting procedures. There were no reported violations of our social responsibility and security policies as they relate to human rights in 2014. However, there were allegations of wrongdoing made by various NGOs and media members (see below). Following stakeholder engagement, our human rights policy approach is in the process of being reviewed by an independent expert after which time we expect to produce a stand alone human rights policy.

SOCIAL INVESTMENT ($000s)

	CONTRACTUAL	VOLUNTARY	TOTAL
Vietnam	182.4	19.4	201.8
Africa	1,460.0	120.0	1,580.0
Total	**1,642.4**	**139.4**	**1,781.8**

KEY SOCIETY OBJECTIVE DEVELOPMENTS FOR 2014 AND PLANS FOR 2015

OBJECTIVE: TO ENHANCE THE WELLBEING OF OUR HOST COMMUNITIES

MEANING	IMPLEMENTATION	OUTCOME 2014	ONGOING PLANS 2015
Building local capacity during the exploration or development phases of a project to ensure a positive imprint and legacy. Investing in social projects for the long term benefit of local communities.	HSES Policies and HSES MS has been aligned with IFC (World Bank) Standards. Strengthened stakeholder engagement procedures. Strengthened social reporting. Regular voluntary charitable donations. Voluntary infrastructure improvement projects. Implemented social programme commitment. Implemented various voluntary social projects.	**Congo (Brazzaville):** Training of local consultants in stakeholder engagement requirements and processes. Building extension project at Koufoli School. Construction of Sibiti youth centre. Supply of medical equipment and solar panels. Restoration of CEG Tchicaya school. **DRC:** Rehabilitation of the Ishasa-Nyakakoma road. Provision of 20 water purification plants in six villages around Lake Edward. Provision of a communications antenna. Provision of a mobile hospital. Sponsorship of a disease mapping programme. **Vietnam:** Extension of Lien Chau Commune Kindergarten. Construction of Quynh Giao Commune Kindergarten. Green Summer Project – included rural road building, supply of medical equipment, support of a children's charity, scholarship funding, tree planting, provision of 15 clean water wells in Tan Binh District, critical recovery support, and support to Te Phan Orphanage with necessities and medical treatment.	• Establish stand alone human rights policy in line with industry best practices. • Provide training to all staff on human rights policy. • Revise corporate and project level grievance mechanism procedures. • Ensure that stakeholder engagement is conducted according to SOCO 2014 HSES policies for each new ESIA. • Continue with community projects in all regions we operate to enhance education, health or the environment. • Report KPIs and targets for Group social data in line with industry best practices.

CORPORATE SOCIAL RESPONSIBILITY REPORT CONTINUED

ENVIRONMENT – TO PROTECT THE ENVIRONMENT AND CONSERVE BIODIVERSITY

SOCO is committed to conducting all business activities in a responsible manner to ensure the protection of the environment. Relative to the industry sector, our environmental impact is low, due to our small scale of operations and corporate organisation. Our objective is for the impact to remain low through continuous monitoring and responsive action. SOCO collects all environmental emissions data on a monthly basis.

There were no environmental regulatory non-compliances reported in the Africa region. There were two small spills of under one litre reported in the DRC which were cleaned up according to procedure. There were no environmental regulatory non-compliances reported and no oil spills reported in Vietnam.

SOCO monitors and reports Greenhouse Gas Emissions for all its operations under the Carbon Disclosure Project. In 2014, SOCO achieved 80% for this disclosure.

KEY ENVIRONMENTAL OBJECTIVE DEVELOPMENTS FOR 2014 AND PLANS FOR 2015

OBJECTIVE: TO PROTECT THE ENVIRONMENT AND CONSERVE BIODIVERSITY

MEANING	IMPLEMENTATION	OUTCOME 2014	ONGOING PLANS 2015
To protect the environment and minimise our footprint, manage natural resources and protect and enhance biodiversity.	HSES Policies and HSES MS has been aligned with IFC (World Bank) Performance Standards. Development of new procedures and enhancement of existing procedures. Introduction of a Biodiversity and Conservation policy. Environmental data reported. HSE audits completed. Emergency response drills completed.	Revised HSES MS rolled out across SOCO Africa region. Implemented new Biodiversity and Conservation policy. Training commenced and changes communicated to all stakeholders. All environmental data regularly reported via HSES processes.	• Ensure that an environmental risk assessment is conducted according to SOCO 2014 HSES policies for each new ESIA. • Ensure that a biodiversity risk assessment is conducted according to SOCO 2014 HSES policies for each new ESIA. • Report KPIs and targets for Group environmental data in line with industry best practices.

▲ SUPPORTING COMMUNITIES ▶

In 2014, our JOCs financed the construction of the Son Binh medical clinic in Ha Tinh province.

SAFETY ▶

We are proud to maintain an industry-leading safety record in Vietnam, with zero LTIs in 2014.

JOINT OPERATING COMPANIES – A LONG STANDING AND TRUSTING RELATIONSHIP

TONY ROCHE

HLHVJOC DEPUTY GENERAL MANAGER

We are fortunate in that we have been working alongside our partners for a number of years and have a long standing and trusting relationship. Our HSES policies and related requests, from SOCO and its partners, are considered and taken seriously, and as a result, we have very safe and environmentally efficient operations at our two offshore oilfields. Last year at a neighbouring oilfield, sadly there was a fatality. Although unrelated to the JOC or SOCO, this brought into stark focus for us all our impeccable safety track record and its importance. Extra checks were put in place to mitigate any potential issues as part of the lessons learnt from that accident. For the operations here we recorded a total of 2.8 million man-hours of safely working without any lost hours over all of the sites including the JOC office, the supply base at Vung Tau, the four drilling rigs, the onshore fabrication sites, the offshore production facilities as well as the offshore installation and modification units. All incidents are investigated and followed up and preventative actions are always taken. The safety of our people is paramount.

IN VIETNAM SOCO IS A JOC PARTNER IN TWO ASSETS (THE TGT AND CNV FIELDS) THAT WHEN COMBINED REPRESENT ONE OF THE LARGEST NATIONAL PRODUCERS OF OIL

More on p8

There are other aspects that are also important for us in contributing to the imprint that we leave. Our early involvement in the Vietnamese projects started in 1999 and over the years we have invested in a wide range of community projects from public health, education, environmental, public facility, and community relations-based programmes. In all of these, our involvement has been not simply to provide investment funds or donations, but to actively work with the community and our partners; to build trust and ensure that both the community's needs and those of SOCO and the JOC partners are considered when projects are planned. Every year we ensure that our voluntary social contributions go to those projects that we believe will address the greatest needs as well as bring the most long term benefit. For example, we assisted the Red Cross in drilling and building 15 clean water wells for the poorest families in the Soc Trang Province. We provided medical equipment and supplies to the orphanage in Ho Chi Minh City and participated in the annual tree planting event, planting 235 trees on Environment Day in Ho Chi Minh City. Further afield (and falling within our contractual investments outlined as part of the Petroleum Contract) we built a hard-top road in rural Tra Vinh Province to alleviate the erosion problems posed by the floods during the rainy season. This was an incredibly impactful project for us to be involved in as the newly built road will further promote local economic development, bringing with it long term social benefits to the public including transport, education and welfare. Larger scale contractual social projects for us last year included the construction of additional food, medical and classroom facilities at nursery schools in the Vinh Phuc and Thai Binh provinces.

CORPORATE SOCIAL RESPONSIBILITY REPORT CONTINUED

KEY PERFORMANCE INDICATORS

SOCO measures the KPIs it believes are useful in assessing the Group's performance against strategic priorities, HSES polices, and business plans. These metrics are kept under periodic review and are regularly tested for relevance against strategy and policy. In 2014, further KPIs were added to better align performance to strategy. SOCO tracks both financial and non-financial metrics to facilitate better management of long term performance and the delivery of sustainable responsible business plans.

Reflecting the importance that operating safety has in the priorities of the Company, as well as to the industry as a whole, the Company measures the number of lost time injuries per million man-hours on all projects where the Company is the designated operator or the joint operator. To further reinforce this priority, a KPI has been added which flags the frequency rate of fatal accidents, with the firm ambition to maintain this number at zero. The introduction of a new KPI measuring the number of oil spills of over 100 litres acknowledges the serious impact that such an incident would have upon a natural habitat as well as upon the business. Other new KPIs include the quantity of solid hazardous and non-hazardous waste, as has become an industry standard disclosure. Reporting the number of HSE regulatory non-compliances with the target of zero reflect the Company's excellent HSE record to date and the intention of the management to maintain this high standard.

EXECUTIVE DIRECTOR REMUNERATION

Executive Director Remuneration is directly linked to SOCO's performance. To help ensure that the focus of the Board and management is aligned with the interests of our shareholders, certain of these measures are reflected in the annual bonus element of executive remuneration. Directors' performance-related pay is decided by a balanced scorecard of financial and non-financial objectives.

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▲ 2014 SEISMIC SURVEY ON LAKE EDWARD

We completed a seismic survey on Lake Edward in 2014. After providing the DRC Government with interpretation of the two seismic results, SOCO will have no further involvement in the Block.

NON-FINANCIAL KEY PERFORMANCE INDICATORS (SUSTAINABILITY) KPI

	TARGET	2014
Lost time injury frequency rate[1]	–	0.3
Fatal accident frequency rate[2]	–	–
Employee tenure (years)[3]	N/A	8
Employee turnover (%)[4]	N/A	–
Emissions (million tonnes of CO_2 equivalent) (based on equity share)[5]	N/A	0.11
Oil spills[6]	–	–
Solid non-hazardous waste (tonnes)[7]	Set per project	498.4
Solid hazardous waste (tonnes)[8]	Set per project	401.3
HSE regulatory non-compliances[9]	–	–

[1] The number of LTIs per million man-hours on projects operated by SOCO or jointly operated companies.
[2] The number of fatal accidents per hundred million man-hours on projects operated by SOCO or jointly operated companies.
[3] Average length of UK-based employee tenure.
[4] Rate of UK-based employee resignations.
[5] Scope One and Two emissions from the Group's operated and joint operated projects on an equity share basis calculated pro-rata to its ownership interest.
[6] Quantities greater than 100 litres.
[7] Total non-hazardous waste requiring disposal, by gross project interest.
[8] Total hazardous waste requiring disposal, by gross project interest.
[9] HSE regulations and permit conditions applicable to country of operation.

KPI See Additional Information – Key Performance Indicators on page 99 for all KPIs reported and their definitions.

BLOCK V, EASTERN DRC – NO FURTHER INVOLVEMENT

Following SOCO's public commitment announced jointly with WWF in June 2014, SOCO's operations in eastern DRC ceased inside Virunga National Park on 22 July 2014 and elsewhere in Block V on 11 August 2014. The Company no longer has any personnel in Block V.

Prior to August 2014, the extent of SOCO's operational activities within Virunga National Park had been:

- a bathymetry survey on Lake Edward. The objective of this survey was to map the depth of the lake. The survey lasted one month and was completed in November 2013.
- a seismic survey on Lake Edward. The objective of this survey was to gather data about subsurface rock formations under the lake. The survey lasted six weeks and was completed on 13 June 2014.
- geological studies on land. The studies were carried out by three geologists using small handheld tools. The objective was to inspect rock formations on land and to gather samples for laboratory study. Inside Virunga National Park, the studies were completed on 22 July 2014 and elsewhere on 11 August 2014.

Processing of the seismic data has been completed and data interpretation is currently underway in the UK and should be completed by mid-2015.

In the summer of 2014, the Company engaged Clifford Chance to carry out an independent review to assess whether there is evidence supporting allegations of wrongdoing made by various NGOs and media members of its activities in the DRC. The law firm was also asked to advise as to whether, in the materials reviewed, there was any evidence contradicting the Company's conclusion, based on its own internal review, that neither SOCO nor its employees have been complicit in any intimidation and/or human rights abuses. Given the absence of a response from NGOs to SOCO's request for assistance in evidencing the allegations, the exercise has been defined and focused by Clifford Chance in terms of the evidence considered. The Company has provided access to all the available personnel, processes and documents requested by the law firm in order for them to conduct a focused review and sufficient for them to advise the Board as to the appropriate steps to be taken. Upon the conclusion of the independent review, the Company will take any necessary steps and advise its stakeholders.

While we acknowledge that the DRC government is anticipating discussions with UNESCO involving the future of the Virunga National Park; we have no involvement in these discussions. After providing the DRC Government with interpretation of the seismic results, SOCO will have no further involvement in the Block. Consequently, all costs incurred on Block V to date and any further costs anticipated in the course of 2015 have been written off as exploration expense in 2014. It is our intention to leave behind all the humanitarian aid that SOCO has provided in water purification and communications facilities for the benefit of the people.

GREENHOUSE GAS REPORTING

SOCO, as part of its annual HSES monitoring programme, reports the emissions of GHGs on an annual basis that have been generated as a result of its exploration and production activities. This has been undertaken to meet both the requirement under the Companies Act 2006 for UK-listed companies to carry out mandatory carbon reporting; and the internal SOCO requirement under its HSES MS to report GHG emissions annually.

GHGs REPORTED

SOCO counts emissions of carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O), all of which are produced during combustion. For simplicity, the results of all three have been reported as a single parameter – carbon dioxide equivalent (CO_2e).

The other three greenhouse gases categorised under Section 92 of the UK Climate Change Act, hydrofluorocarbons (HFC), perfluorocarbons (PFC) and sulphur hexafluoride (SF_6), are not closely associated with the petroleum industry. The total emission of these gases is therefore expected to be small and has not been calculated.

EMISSIONS SCOPE

Reported Scope One direct emissions comprise direct GHG releases from combustion activities (for example, gas flaring operations and fuel gas/diesel use to generate power or for vehicle use). Reported Scope Two indirect emissions comprise those arising from generation of electricity supplied by the national grid in the UK and Congo. No Scope Three emissions are reported.

TONNES (T) OF CO_2E FOR 2014 OPERATIONS

			CO_2E (T)		NORMALISED EMISSION CO_2 E (T) PER T OIL PRODUCED[A]	
COUNTRY	REPORTED OPERATIONS	OPERATIONAL PHASE	OVERALL	BASED ON EQUITY SHARE[B]	OVERALL	BASED ON EQUITY SHARE[B]
UK	Corporate office	Administration (electricity usage)	27	27	n/a	
Congo (Brazzaville)	Marine XI	Exploration/Appraisal (LXM-101 well)	13,796	4,736		
	Nanga II A	Block evaluation	–	–	n/a	
	Corporate	Administration	176	61		
DRC	Block V	Evaluation (seismic survey)	686	494		
	Corporate	Administration	137	116		
Vietnam	Block 9-2 CNV field	Field development/ production	56,820	14,205	19.0 kg per bbl	19.0 kg per bbl
	Block 16-1 TGT field	Appraisal/field development/production	297,625	90,776	21.5 kg per bbl	21.5 per kg bbl
Total			369,267 t	110,415 t		21.1 kg of CO_2e per bbl of oil produced

[a] Normalised emission is calculated, per field, and at country level, based on equity share, and gross/net boepd produced in 2014.
[b] Under equity share, SOCO reports a share of the emissions from partnerships pro-rata its ownership interest.

REPORTING BOUNDARY

SOCO reports GHG emissions from its operated projects (Marine XI and Block V), joint-operated projects (Block 9-2 and Block 16-1), and associated corporate/administrative activities on an overall and equity share basis. The former is the total emissions generated by those projects. The latter is calculated pro-rata to SOCO's ownership interest (equity share). No GHG emissions are reported for SOCO's non-operated projects (Cabinda North Block and Nanga II A Block) as there were no emissions-generating activities during 2014.

BASE YEAR ADJUSTMENTS AND 2014 RESULTS

2013 was the first year for which a full emissions estimate was made and reported to the CDP in 2014. The verified emissions from 2013, reported in 2014, therefore form the base year against which emissions trends over time are reported.

Our GHG reporting in 2015 has provided a re-calculation of base year emissions, which takes into account updates to the approach taken to set the organisation boundary, along with improvements and updates to certain emissions factors used to calculate GHG emissions from activities in 2014. This recalculation of the base year is in line with CDP guidance and was undertaken to ensure that GHG reporting reflects genuine emissions trends over time. The 2013 base year recalculations have been included in the verification process, during which no material errors were identified.

2014 saw an increase in emissions produced, reflecting an increase in the level of operational activity during the year. Operation activity during 2014 included field development drilling campaigns on both the CNV and TGT fields, offshore Vietnam, and an exploration/appraisal drilling campaign on Marine XI, offshore Congo (Brazzaville).

Based on equity share, SOCO's GHG emissions in 2014 were 110,415 tonnes of CO_2e, representing a 39% increase from the 79,312 tonnes CO_2e in 2013. Overall GHG emissions during 2014 were 369,267 tonnes of CO_2e, representing a 41% increase compared with 262,357 tonnes overall CO_2e in 2013. For producing assets, SOCO's GHG emissions intensity was 21.1 kg of CO_2e per barrel of oil produced in 2014, compared with 12.2 kg of CO_2e per barrel of oil produced in 2013.

COLLECTION AND VERIFICATION

Activity data pertaining to GHG emissions from SOCO's Africa projects were collected by SOCO HSES managers, assisted by RPS Energy. In Vietnam, data were collected and reported to SOCO by the HLJOC and HVJOC. RPS Energy assisted SOCO with activity data collation and GHG emissions calculations.

Verification was undertaken by a different division of RPS, RPS Planning & Development, which has maintained appropriate independence from both SOCO and RPS Energy during verification using its established approach to internal conflict management.

ABOUT THE BOARD

KEY

Committees

- **A** Audit and Risk
- **R** Remuneration
- **N** Nominations

Membership

- Committee chair
- Committee member
- Committee advisor

1.


2.


3.


4.


5.

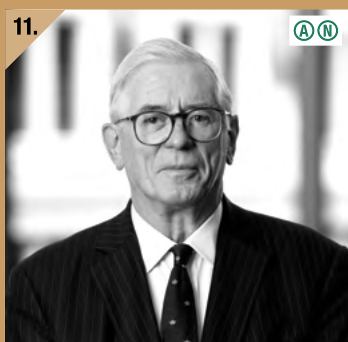

6.


7.


8.


9.


10.


11.


12.


1. RUI DE SOUSA

Non-Executive Chairman, 59
Appointed: July 1999
Rui de Sousa has approximately 35 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, 71
Appointed: April 1997
Ed Story has over 45 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 Chief Financial Officer 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

Deputy Chief Executive Officer, 67
Appointed: April 1997
Roger Cagle has over 40 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.

4. CYNTHIA CAGLE

Executive Vice President and Company Secretary, 60
Appointed: December 2012
Cynthia Cagle has over 35 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.

5. ROB GRAY

Non-Executive and Senior Independent Director, 61
Appointed: December 2013
Rob Gray has been an advisor to the natural resources sector for more than 30 years. Rob qualified as a solicitor in 1981 at Allen & Overy and then went on to help establish James Capel & Co. Petroleum Services, a successful advisory and Mergers & Acquisitions practice. Rob's experience includes thirteen years at Deutsche Bank where he was latterly a Senior Advisor having been Chairman of UK Investment Banking for five years and formerly Global Head of Natural Resources. Rob was previously a Director and Head of the Natural Resource Group at Robert Fleming & Co. Ltd. for four years, a group which he established. Between 2000 and 2010, Rob was an Advisory Board Member for Heerema Marine Contractors. Rob is also one of a number of industry advisors to Bluewater Energy. Rob was a co-founder of RegEnersys, a natural resources investment entity and is currently the principal of ReVysion LLP.

6. OLIVIER BARBAROUX

Non-Executive Director, 59
Appointed: July 1999
Olivier Barbaroux has over 25 years' experience in the energy and utilities sector. He was the Chairman and Chief Executive Officer 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.

7. ROBERT CATHERY

Non-Executive Director, 70
Appointed: June 2001
Robert Cathery has over 45 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 Salamander Energy PLC and Central Asia Metals Limited.

8. ETTORE CONTINI

Non-Executive Director, 40
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. MARIANNE DARYABEGUI

Non-Executive Director, 50
Appointed: October 2013
Marianne Daryabegui is currently the Managing Director of the Corporate Finance Oil and Gas Team at BNP Paribas in Paris, France. Marianne has extensive experience in oil and gas corporate transactions, including structured financing and reserve based lending facilities, and has advised a wide number of oil companies across the sector. Prior to joining the Oil and Gas Team in 2006, Marianne worked for eight years in BNP Paribas' Energy Commodities Export Project Department where she headed the Commodity Structure Finance team for the Middle East, North and West Africa. Prior to joining BNP Paribas, Marianne spent eight years at TOTAL, working amongst other activities on upstream acquisitions and divestments in Europe and Africa. Marianne has a Masters degree in Finance and Capital Markets from Sciences Po University, Paris and a Masters in Tax and Corporate Law.

10. ANTÓNIO MONTEIRO

Non-Executive Director, 71
Appointed: June 2009
Ambassador António Monteiro has over 45 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), a non-executive member of the Board of the Spanish bank Sabadell, and Chairman of the Advisory Council of Gulbenkian's Foundation Program for Development Assistance.

11. JOHN NORTON

Non-Executive Director, 77
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.

12. MIKE WATTS

Non-Executive Director, 59
Appointed: August 2009
Dr Mike Watts has over 35 years' experience in the oil and gas industry. He was formerly the Deputy Chief Executive of Cairn Energy PLC and the Chief Executive Officer 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.

ANNUAL REPORT OF THE DIRECTORS

CYNTHIA CAGLE

EXECUTIVE VICE PRESIDENT AND COMPANY SECRETARY

The Directors present their annual report, along with the audited Financial Statements of the Group for the year ended 31 December 2014. Information on pages 46 to 47 and 48 to 72 is incorporated herein by reference and forms part of this Directors' report.

DEVELOPMENTS FOLLOWING THE 2014 REPORTING PERIOD

An indication of the likely future developments in the business of the Group is included in the Strategic Report on pages 4 to 45.

RESULTS AND DIVIDENDS

The audited Financial Statements for the year ended 31 December 2014 are set out on pages 77 to 97. During the year, the Company announced a return of value to shareholders of 22 pence per Ordinary Share amounting to approximately £73 million ($119.2 million) in cash by way of a B/C share scheme, which gave shareholders (other than certain overseas shareholders) a choice between receiving cash in the form of income or in the form of capital. The return of value, which was approved by shareholders on 22 September 2014, became effective on 30 September 2014. The Board has recommended a final dividend of 10 pence per Ordinary Share, which amounts to approximately $50 million, and which if approved at the AGM will be paid on 19 June 2015 to shareholders on the register at the close of business on 29 May 2015.

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 51. All Directors held office throughout the year except as noted in the table. In accordance with the provisions of the 2012 UK Corporate Governance Code, all Directors will retire at the forthcoming AGM and, being eligible, offer themselves for reappointment. Relevant details of the Directors, which include their Committee memberships, are set out on pages 46 and 47. 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).

CONTRIBUTIONS

The Group's policies prohibit political donations.

SHARE CAPITAL

Details of changes to share capital in the period are set out in Note 24 to the Financial Statements.

In October 2014, a return of value was made to all shareholders amounting to approximately £73 million in cash by way of a B/C share scheme. Further information can be found above and in Note 26 to the Financial Statements.

As part of this scheme, 107,078,451 B shares and 224,876,192 C shares were issued. On 30 September 2014, all of the B shares were redeemed at 22 pence per share and a dividend of 22 pence per share was paid on the C shares. The C shares were then automatically reclassified as deferred shares.

The Company therefore, currently has two classes of shares in issue, ordinary shares of £0.05 each, and deferred shares of 0.0000001 pence each, all of which are fully paid.

Each ordinary share in issue carries equal rights including one vote per share on a poll at general meetings of the Company, subject to the terms of the 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 ordinary shares held by the SOCO Employee Benefit Trust are not exercised. The Articles may only be amended by a resolution of the shareholders.

Each deferred share carries no voting rights and no rights to participate in the profits of the Company. On a winding-up or other return of capital, the holders of deferred shares have extremely limited rights. A resolution will be proposed at the 2015 AGM to approve a contract to buy back all of the deferred shares for the aggregate consideration of one pence and, in accordance with the Articles, following such buy back, the deferred shares will be cancelled. Further information regarding this resolution is set out in the circular to 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 ordinary 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 Conduct 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 Conduct 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 2015 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 2015 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 34,107,691 ordinary shares of £0.05 each, representing approximately 10% of the Company's issued ordinary share capital at 11 March 2015. Shares purchased under this authority may either be cancelled or held as treasury shares.

AUDITORS

A resolution to reappoint Deloitte LLP 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 and Risk 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. Further details of the Group policy on non-audit services are set out in the Audit and Risk Committee Report on pages 60 to 62.

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 as a Director, 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 themself 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.

“IN OCTOBER 2014, THE COMPANY RETURNED TO SHAREHOLDERS 22 PENCE PER ORDINARY SHARE, APPROXIMATELY £73 MILLION”

SUBSTANTIAL SHAREHOLDINGS

As at 11 March 2015, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules of the interests in the shares of the Company as set out in the table on page 51.

GREENHOUSE GAS EMISSIONS REPORTING

Reporting on emission sources, as required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013, is included in the Corporate and Social Responsibility Report on pages 34 to 45.

ANNUAL REPORT OF THE DIRECTORS CONTINUED

REQUIREMENTS OF THE LISTING RULES

The table below provides references to where the information required by the listing rule 9.8.4R is disclosed:

LISTING RULE REQUIREMENT	
A statement of the amount of interest capitalised by the group during the period under review with an indication of the amount and treatment of any related tax relief.	Not applicable
Any information required by LR 9.2.18 R (Publication of unaudited financial information).	Not applicable
Details of any long term incentive schemes as required by LR 9.4.3 R.	Directors' Remuneration Report page 65
Details of any arrangements under which a director of the company has waived or agreed to waive any emoluments from the company or any subsidiary undertaking. Where a director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review.	No such waivers
Details required in the case of any allotment for cash of equity securities made during the period under review otherwise than to the holders of the company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the company's shareholders.	No such share allotments
Where a listed company has listed shares in issue and is a subsidiary undertaking of another company, details of the participation by the parent undertaking in any placing made during the period under review.	Not applicable
Details of any contract of significance subsisting during the period under review: (a) to which the listed company, or one of its subsidiary undertakings, is a party and in which a director of the listed company is or was materially interested; and (b) between the listed company, or one of its subsidiary undertakings, and a controlling shareholder.	Note 32 page 97
Details of contracts for the provision of services to the company or any of its subsidiary undertakings by the controlling shareholder.	Not applicable
Details of any arrangement under which a shareholder has waived or agreed to waive any dividends, where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	Note 25 page 93
Board statement in respect of relationship agreement with the controlling shareholder.	Not applicable

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 24 to 28, they continue to adopt the going concern basis in preparing the accounts.

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 IFRS 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.

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.

SUBSTANTIAL SHAREHOLDINGS

As at 11 March 2015, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules of the interests in the shares of the Company as set out in the table on the right:

	ISSUED SHARES	
NAME OF HOLDER	NUMBER	% HELD
Blue Albacore Business Ltd	27,444,382	8.27
Globe Deals Ltd	27,444,382	8.27
Liquid Business Ltd[1]	27,444,381	8.27
Chemsa Ltd	23,600,000	7.11
Edward T Story[2]	13,191,131	3.97

1 Liquid Business Ltd is a connected person to Mr E Contini, a Non-Executive Director of the Company. An additional 220,000 Shares are held personally by Mr E Contini. For further information see the Directors' Interest table on page 69.
2 11,516,131 Shares are held personally by Mr E Story, an Executive Director of the Company. 1,675,000 Shares are held through The Story Family Trust, a connected person to Mr E Story. For further information see the Directors' Interest table on page 69.

DIRECTORS' RESPONSIBILITY STATEMENT

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

(a) the Financial Statements set out on pages 73 to 97, which have been prepared in accordance with applicable United Kingdom law and IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company and profit of the Group taken as a whole;

(b) this Directors' Report along with the Strategic Report, including each of the management reports forming part of these reports, 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; and

(c) the annual report and the Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Group's performance, business model and strategy.

By order of the Board
11 March 2015

Cynthia Cagle
Company Secretary

DIRECTORS HOLDING OFFICE DURING 2014

DIRECTOR	DATE OF CONTRACT
Rui C de Sousa Chairman	12.07.99
Robert G Gray* Senior Independent Director	09.12.13
Olivier M G Barbaroux*	12.07.99
Roger D Cagle	14.05.97
Cynthia B Cagle	14.05.97
Robert M Cathery*	19.06.01
Ettore P M Contini	11.12.01
Marianne Daryabegui*	01.10.13
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 52 to 59.

RUI DE SOUSA
CHAIRMAN

CORPORATE GOVERNANCE REPORT

DEAR SHAREHOLDERS

How we fulfil our commitment to the UK Corporate Governance Code

I am pleased to present this introduction to our 2014 Corporate Governance Report, which describes how we have implemented and applied the principles of the 2012 UK Corporate Governance Code throughout the year. SOCO is committed to applying the highest standards of corporate governance while pursuing the creation of value for our shareholders. We welcome the continued development of corporate governance guidance, which continues to evolve with the issuance of an updated Code in September 2014 (2014 Code).

Board leadership and stakeholder engagement

Corporate governance matters have become even more important in ensuring appropriate stewardship in the current volatile oil price environment facing the oil and gas sector. As Chairman, I remain focused on leading the Board in the effective delivery of our strategy for the long term success of the Company. Key to achieving that success is ensuring honest and ethical conduct as well as protecting the health and safety of our people and the environment in which we work. Communicating these values as well as our strategy by maintaining an open dialogue with our stakeholders is an important part of my role as Chairman. During 2014, opportunities to engage with stakeholders included, in addition to being available to shareholders and analysts at general meetings and results presentations, a number of meetings with institutional shareholders to facilitate a fuller mutual understanding of the Group's activities and the priorities of those shareholders.

Independence

The Board has determined that it has seven independent Non-Executive Directors out of a total of 12 Directors. Of those seven Directors three have served on the Board for over nine years. The Board believes that the Company continues to benefit from those long-serving Directors who are uniquely qualified to lead the Board through their detailed knowledge and proven competencies. Further, all six of the independent Non-Executive Directors who have served on the SOCO Board alongside the long-tenured Directors consistently supported and endorsed each independent Director's designation as independent.

Audit and Risk Committee

The name of this committee was recently expanded to highlight that its responsibilities extend beyond audit, and include the important role of reviewing the effectiveness of the Group's overall risk management systems. Specifically, the Committee's terms of reference have been amended to set out its responsibilities in respect of environmental, social and governance risk. The Committee is, on behalf of the Board, leading a review of the Group's risk management and internal control systems in light of 2014 Code and associated FRC guidance. The aim of this review is not just to achieve compliance but to enhance the effectiveness of Board's business decision making processes.

The Audit and Risk Committee is also leading the Group's implementation of the Reports on Payments to Government Regulations 2014, effective from 1 January 2015. The Company already has adequate accounting records in place to comply with the reporting requirements. The Committee will oversee the collation and reporting of the required information.

Diversity and succession

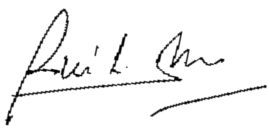
The Board identified gender diversity as a matter for increased focus in recent externally facilitated Board evaluations and continues to focus on succession planning, aimed at improving Board balance including independence. Since 2012, the Board has appointed three directors, two of whom are women thereby providing the benefit of gender diversity while, in the case of Ms Cynthia Cagle, additionally increasing Executive representation with sector, finance and governance experience. The appointment of Ms Marianne Daryabegui as a Non-Executive Director, and Mr Rob Gray as the Senior Independent Director, in 2013 also increased Non-Executive representation and the proportion of independent Directors, as well as providing additional expertise in international finance, banking, corporate finance and strategic thinking.

Throughout 2014 the Board had 17% female representation, in line with the FTSE 250 average in 2014. The Board will continue to manage its composition in future recruiting, acknowledging the government target of 25% women on boards as well as independence, individual merit, experience and complementary Board skills.

Effectiveness

The Directors place considerable emphasis on the annual assessment of Board effectiveness and attention to its results. For a fourth successive year the Board has utilised an external facilitator to assist in its evaluation, and believes this has contributed to open and frank discussion in the interest of improving the Board's processes, leadership and effectiveness. This year the external facilitator increased scrutiny in strategy, corporate social responsibility, Director independence, recruitment and training. Results of the evaluation reveal a Board in agreement over the Company's policies and procedures in these areas.

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

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The Company is committed to the principles contained in the UK Corporate Governance Code that was issued in 2012 by the FRC and for which the Board is accountable to shareholders.

The Company has applied the principles set out in the Code, including both the Main Principles and supporting principles, by complying with the Code as described within this report, the Directors' Remuneration Report and the Audit and Risk Committee Report.

STATEMENT OF COMPLIANCE WITH THE CODE

Throughout the year ended 31 December 2014, 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 46 and 47, comprises eleven Directors in addition to the Chairman. After an assessment process set out in more detail below, seven of these eleven, including the Senior Independent Director, have been identified on page 55 as independent Non-Executive Directors, after 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 Chairman leads the constructive challenge of the Executives' strategy through open and probing discussion and by ensuring the Non-Executive Directors are fully appraised on all the aspects of the business. The Chief Executive is responsible for leading the Executives and ensuring their effectiveness in the running of the Company's business and implementing strategy and policy. Together the Chairman and Chief Executive 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

2014 MEETING ATTENDANCE BY DIRECTORS (IN THEIR CAPACITY AS DIRECTORS)

	BOARD MEETING	AUDIT AND RISK COMMITTEE MEETING	REMUNERATION COMMITTEE MEETING	NOMINATIONS COMMITTEE MEETING	ANNUAL GENERAL MEETING
R de Sousa	••••			••	•
O Barbaroux	••••				•
R Cagle	••••				•
C Cagle	•○••				○
R Cathery	••••				•
E Contini	••••				•
R Gray	••••	•••	••		•
M Daryabegui	••••	•••	••	••	•
A Monteiro	••••	•••	••	••	•
J Norton	••••	•••			•
E Story	••••			••	•
M Watts	••••	•••	••	••	•

• Denotes scheduled meeting attended ○ Denotes scheduled meeting not attended

CORPORATE GOVERNANCE REPORT CONTINUED

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.

"THE DIRECTORS PLACE GREAT EMPHASIS ON THE ANNUAL ASSESSMENT OF BOARD EFFECTIVENESS"

Senior Independent Director

The Senior Independent Director provides an independent leadership role to the Board. The Senior Independent Director is available to the Chairman to discuss and develop ideas to maximise the Board's effectiveness, and as an intermediary to other Directors to ensure each individual's views are fully considered in reaching unitary consensus on Board matters. The Senior Independent Director meets at least annually with other Non-Executive Directors, without the Chairman present, to facilitate a full and open discussion of matters including appraisal of the Board's effectiveness and the performance of the Chairman. The Senior Independent Director is made available to communicate with shareholders, as described more fully under Relations with Shareholders below.

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 and Diversity

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

The Board recognises the benefits of diversity, and gender diversity in particular. The Board identified gender diversity as a matter for increased focus in recent externally facilitated Board evaluations, as discussed under the Nominations Committee section on page 58 and in the Succession and Appointment section opposite.

Independence, Tenure and Refreshment

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 annually since 2011 (see the Nominations Committee section on page 58) 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 considers a Non-Executive Director's most appropriate term of office as generally longer than that envisioned in Code guidelines. The Company benefits from long-serving Directors who are uniquely qualified to contribute leadership through detailed knowledge of the Company's business 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 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 Rob Gray, Ms Marianne Daryabegui, Ambassador António Monteiro and Dr Mike Watts were determined to be independent. 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 also 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.

Succession and Appointments

Board appointments are made in consideration of objective criteria which are developed in 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 58. Following an appointment, the Company Secretary facilitates a process of induction and assimilation determined appropriate to the appointee's particular role and experience.

The Company's programme for succession takes full account of the principles for board balance, diversity, independence, tenure and refreshment set out in the sections above. The Board continues to focus on succession planning, aimed at improving Board balance in both independence and diversity as demonstrated in its recent appointments. Since 2012, the Board has appointed three Directors, two of whom are women thereby providing the benefit of gender diversity while, in the case of Ms Cynthia Cagle, additionally increasing Executive representation with sector, finance and governance experience. The appointment of Ms Marianne Daryabegui as a Non-Executive Director, and Mr Rob Gray

FEMALE BOARD MEMBERS

17%

The level of female representation on the Board is in line with the FTSE 250 average in 2014

CORPORATE GOVERNANCE REPORT CONTINUED

as the Senior Independent Director, in 2013 also increased Non-Executive representation and the proportion of independent Directors, as well as providing additional expertise in international finance, banking, corporate finance and strategic thinking.

Following these appointments, excluding the Chairman, the Board includes two recently appointed independent Non-Executive Directors, who serve on the Board along with three long-tenured Non-Executive Directors who have been determined by the Board to be independent. The Company considers it has achieved an appropriate balance between the benefits of continuity and refreshment.

Throughout 2014, the Board had 17% female representation, in line with the FTSE 250 average in 2014. The Board will continue to manage its composition in future recruiting, acknowledging the government target of 25% women on boards as well as independence, individual merit, experience and complementary Board skills.

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. The Company has additionally sought to maximise the benefits of independence, refreshment and continuity in constituting each of its Committees. The Board will continue to manage its composition in future recruiting, including an appropriate focus on independence and diversity in addition to continued attention to individual merit, experience and complementary Board skills.

"THE DIRECTORS EXPRESS THEIR INDIVIDUAL VIEWPOINTS, DEBATE ISSUES AND OBJECTIVELY SCRUTINISE AND CHALLENGE MANAGEMENT"

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 58. 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.

B. BOARD STRUCTURE AND PROCESS

The Board typically has four scheduled meetings a year and holds additional meetings as necessary. During 2014, 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 and Risk, Remuneration and Nominations Committees as set out in the table on page 53, with the exception of Ms Cynthia Cagle who was unable to attend one Board meeting due to a family bereavement.

The Board determines the Company's business strategy and provides the entrepreneurial leadership required to ensure its strategic aims can be achieved. The Board operates within a formal framework of decision making designed to reserve matters of establishing the strategy, business plan and nature or scope of the Company's business to the Board. Under this framework, authority for implementing the strategy and decisions taken by the Board is largely delegated to the Executive Directors and management within a system of internal controls designed to enable the risks of the Group to be managed effectively. Additionally, the Board has established clear expectations for the Company's economic, social and environmental conduct to promote the highest level of integrity and honesty in meeting its obligations to its stakeholders. SOCO's Board membership comprises a broad range of skills, knowledge and experience, which is critical to the success of the Company. The Board functions as a unitary body, within which Directors assume certain roles to ensure the Board as a whole fulfils its responsibilities. These roles, including committee memberships, are designed to maximise the effective contribution of each of the Non-Executive Directors to the Board, its committees and to the Executive Directors, while ensuring an appropriate balance is maintained. The composition of the Board and its committees is in accordance with Code guidelines. 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 Companies Act 2006. 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 48 to 51 and in the Independent Auditors' Report on pages 74 to 76.

Going Concern

The Group's Financial Statements have been prepared on a going concern basis as described in the Financial Review on page 28 and the Annual Report of the Directors on page 50.

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, including management of ESG risks, 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 and Risk Committee spearheads the Board in discharging its review responsibilities. Audit and Risk 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 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 a separate 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 its internal audit requirements.

"THE NON-EXECUTIVES COMPRISE AN APPROPRIATE BALANCE OF KNOWLEDGE, INDEPENDENCE, SKILLS AND EXPERIENCE"

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 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 and Risk, Remuneration and Nominations Committees are available to answer shareholder questions and to respond to any specific queries.

CORPORATE GOVERNANCE REPORT CONTINUED

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 solicit actively 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 2014, the Company has continued to increase its dialogue with shareholders and other stakeholders regarding its corporate and social responsibility policies and procedures.

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 Director 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 TOR approved by the Board which set out its delegated role and authority. The TORs, which are available on the Company's website (www.socointernational.com), 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 46 to 47. Attendance at scheduled committee meetings by all members serving during the period is set out in the table on page 53. 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 and Risk Committee

The Audit and Risk Committee is chaired by Dr Mike Watts. Dr Watts, with extensive exploration and technical expertise in the sector, is a strong leader for the Committee's oversight of the Group's business risks, and in particular those which could have a significant impact on the Financial Statements. The Committee additionally comprises Mr Rob Gray, who is the Senior Independent Non-Executive Director, and independent Non-Executive Directors Ms Marianne Daryabegui and Ambassador António Monteiro. The qualifications of each of the members are set out on page 47. The Board is satisfied that the collective experience of the members provides relevant financial and risk management experience and the complement of skills required for the effective discharge of its functions. Mr Olivier Barbaroux and Mr John Norton act as Advisors to the Committee. Mr Norton has extensive experience as a Chartered Accountant in the oil and gas sector, and is supremely qualified to advise the Committee in the oversight of the external audit. Although Mr Norton is a long-standing Director, his professional experience has fully prepared him for maintaining independence and objectivity in this circumstance and the Board is completely satisfied that he has demonstrated continued independence in performing his role.

The Audit and Risk Committee meets at least three times a year. The Executive Directors, the Chief Operating Officer, 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 2014 and has conducted one meeting to date in 2015, 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.

As part of the externally facilitated Board Evaluation process described on page 59, the Committee considered its performance and continued effectiveness. The Committee performed a review of its TOR as part of this process which were amended in the year to set out its responsibilities in respect of environmental, social and governance risk matters.

A separate Report of the Audit and Risk Committee is set out on pages 60 to 62 and provides details of the role and activities of the Committee and its relationship with the external auditors.

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, serves as a Committee member along with independent Non-Executive Directors Dr Mike Watts, Ambassador António Monteiro and Ms Marianne Daryabegui. 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 two meetings in 2014 and has conducted one meeting to date in 2015. Other Non-Executive Directors were in attendance at a portion of these meetings by invitation. Certain Committee functions were delegated to a subcommittee, which acted on behalf of the Committee after an appropriate dialogue among Committee members to ensure a consensus of views. A number of other informal meetings and communications took place between the Chairman, various Committee and Board members and the Company's executives and employees. Additionally, the Chairman led discussions of certain Committee matters in view of the full Board to expedite unitary decision making.

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 induction and assimilation of recent appointments and continued 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 Board has a policy in place for succession planning, which addresses its approach to maintaining a balanced Board, including the benefits of diversity. 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 Company's succession planning has been aimed at increasing Board balance in both independence and diversity as a priority in recent and future recruitment. Directors are encouraged to be attentive to identifying candidates who meet one or both of these objectives. The Committee would expect to utilise an independent external advisor to facilitate any search. In such circumstances, a diverse list of candidates would be 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, would be submitted for full Board approval. The Company Secretary facilitates induction upon appointment.

Board Evaluation

Since 2011, the Committee's annual Board evaluations have been externally facilitated. During 2014, the Committee led the Board in evaluating its own performance and that of its Committees and individual Directors externally 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. 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 strategy, corporate social responsibility, Director independence, recruitment and training. Directors were also asked to comment on the operation and performance of the Audit and Risk, Nominations and Remuneration Committees.

The process was undertaken to enhance the quality of the Board and to improve its procedures through identifying and addressing strengths and weaknesses. The Chairman led discussions with the Committee and the full Board regarding the results, which included a commitment by the Board to continue its primary focus on corporate strategy and corporate social responsibility. 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 was satisfied with the benefits of refreshment provided through the measured achievement of its objectives to increase Board balance in both independence and diversity in late 2013, and maintains a focus on succession planning. Management committed to continue to develop 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. 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.

> **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**

Remuneration Committee

The Remuneration Committee is chaired by Ambassador António Monteiro and additionally comprises Mr Rob Gray, who is the Senior Independent Director, and independent Non-Executive Directors Ms Marianne Daryabegui and Dr Mike Watts. In addition Mr Olivier Barbaroux and Mr Robert Cathery act as Advisors. The qualifications of each of the members are set out on page 47.

The Committee held two meetings in 2014 and has held one meeting to date in 2015. The Committee additionally held informal meetings with management and advisors, in particular regarding compliance with the revised Accounting Regulations of the Companies Act 2006 relating to the requirements for the contents of the Directors' Remuneration Report, and implementation of the remuneration policies approved by shareholders at the 2014 AGM.

As part of the externally facilitated Board Evaluation process described above, the Committee considered its performance and continued effectiveness. The Committee performed a review of its TOR as part of this process.

The Committee is responsible for setting the remuneration of the Chairman and the Executive Directors, and is responsible for appointing any consultants it may utilise in carrying out its duties. Details of the Committee's activities, policies and objectives are set out in the Directors' Remuneration Report on pages 63 to 72.

REPORT OF THE AUDIT AND RISK COMMITTEE

MIKE WATTS

AUDIT AND RISK COMMITTEE CHAIRMAN

RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee's primary responsibilities include reviewing the effectiveness of the Company's and the Group's systems of internal control, risk management, 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, including ESG risk. 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 2012 UK Corporate Governance Code, including its risk management and internal control requirements, as well as compliance with evolving guidance on corporate governance issues generally. Additionally, the Committee reports to the Board on whether, taken as a whole, the annual report and accounts are fair, balanced and understandable and provide information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee's activities undertaken in the discharge of its duties are regularly reported to the Board.

MATTERS REPORTED TO THE BOARD

External Auditors – Assurance Services

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. Fees payable to the auditors where reviewed and approved by the Committee and are set out in Note 9 to the Financial Statements.

The Code, the Competition and Markets Authority and the European Commission are now aligned in their requirements regarding external audit tendering and rotation, wherein, for FTSE 350 companies, a competitive tender process is required at least once every ten years. Under transitional arrangements, SOCO will be required to conduct a competitive tender process no later than for the 2023 year end audit. The Committee will consider the appropriate timeframe within which to carry out such a tender process in light of the regulatory requirements as well as auditor performance and independence. The Committee does not currently anticipate that this will be earlier than the date of rotation of the incumbent senior statutory auditor, after the 31 December 2015 year end.

There are no contractual obligations which restrict the Committee's choice of external auditor. 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 2015, which will be proposed to shareholders at the forthcoming AGM.

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 and Risk 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 approved by the Committee. Before approving a non-audit service, consideration is given to whether the nature of the service, materiality of the fees, 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 and Risk 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 and Risk 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 2014, 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.

Risk Assessment

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 and Risk Committee meeting. As part of this process, the Committee maintains 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 maintains 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.

Internal Controls and Risk Management Systems

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 the Corporate Governance Report on page 57. 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.

Fair, Balanced and Understandable

The Committee advised the Board whether the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Directors have confirmed this in their Responsibility Statement set out in the Annual Report of the Directors on page 51.

Significant Issues Related to the 2014 Financial Statements

For the year ended 31 December 2014 the Audit and Risk Committee identified the significant issues that should be considered in relation to the Financial Statements, being areas which may be subject to heightened risk of material misstatement.

Impairment of Exploration and Evaluation Assets

The Committee considered the Group's intangible exploration and evaluation assets individually for any indicators of impairment including those indicators set out in IFRS 6 Exploration for and Evaluation of Mineral Resources. During 2014, the Group's intangible exploration and evaluation assets comprised its Africa licences as described in the Review of Operations on pages 15 to 23.

After providing the DRC Government with interpretation of the seismic results from Block V, SOCO will have no further involvement in the Block. Although minimal expenditure is planned in 2015 to fulfill obligations to the DRC Government, no substantive expenditure is planned. Further, in light of the current macro-environment, the likelihood that there will be any measurable recoverable amount associated with Block V expenditure is remote. As a result, the capitalised inception to date costs incurred have been expensed through the income statement in 2014 (see Note 14 to the Financial Statements). Costs expected to be incurred during 2015 have been accrued, in accordance with IAS 37, in 2014. This treatment was discussed and agreed by the Committee and the auditors.

The Committee also discussed the Nanga II A Block, onshore Congo (Brazzaville). Although the Company is pursuing negotiations with the objective of securing a PSC, following the expiry of the Prospection Authorisation Permit, costs incurred to date on this new venture have been expensed in accordance with IFRS 6. In addition, a number of other costs associated with searching for new acreage were written off in accordance with the Group's accounting policy on oil and gas exploration and evaluation (see Notes 2h and 14 to the Financial Statements).

The Group's remaining exploration and evaluation properties that continue to be classified as intangible assets on the balance sheet as at 31 December 2014 comprise its Marine XI, MPS and Cabinda licences, all of which have substantial expenditure planned. The Committee discussed the Group's remaining exploration and evaluation assets with both management and the auditors and concur with the treatment adopted.

Oil and Gas Reserves

The Group's estimates of oil and gas reserves have a significant impact on the Financial Statements, in particular in relation to DD&A and impairment. Oil and gas reserves, as discussed in the Risk Management Report, are calculated using standard evaluation techniques which have inherent uncertainties in their application.

The Committee has discussed with management and the auditors the results to date of third party (ERCE) reserve assessments which, during 2014 and to date in 2015, specifically focused on the TGT field, and which are discussed further in the Review of Operations on pages 15 to 23. These assessments have been scrutinised by management, taking into account the current stage of the field's development, to satisfy itself that reserve estimates are appropriate, that the related DD&A calculations are correct and that appropriate impairment testing has been conducted (see below). Management also reviewed its estimate of future costs (including decommissioning costs) associated with producing the reserves. Consequently, a substantial amount of TGT 2P reserves has been re-classified into 2C Contingent Resources, reflecting the fact that currently only the original FDP and H5 FDP wells are being drilled and that, at this stage, there is no agreement among the JOC partners on the scope of development and level of investment going forward. Therefore, management believe that the prudent approach to 2P reserve booking against this background, taking into account the level of reservoir complexity and uncertainty, is to include only the P50 recoverable volumes based on existing and likely near term wells, and optimal field management. Additionally, a portion of the 2P reserves has been recognised as 3C Contingent Resources reflecting a degree of geological uncertainty around the range of oil-in-place estimates and partner alignment on the level of future capital investment in the field.

Similarly, management have also discussed with the Committee and the auditors the results to date of reserves assessments, conducted in collaboration with the JOC, on the CNV field where previous commercial reserve estimates were largely predicated on the successful drilling of the CNV-7P well, which was targeting the previously untapped south west area of the field and material increase in production. Disappointingly, due to unexpected geological issues the well failed to reach the target reservoir despite several attempts to side-track. Thus, we have significantly reduced our estimates of the 2P reserves for CNV and re-classified undrilled wells including the CNV-7P well into Contingent Resources.

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. The Committee acknowledges that 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 (see below).

Impairment of Producing Assets Classified as Property, Plant and Equipment

The Committee considered the Group's oil and gas producing assets that are classified as PP&E on the balance sheet individually for impairment with reference to indicators in IAS 36 Impairment of Assets. During 2014, the Group's PP&E oil and gas assets comprised its two Vietnam licences, the ongoing activities of which are described in the Review of Operations on pages 15 to 23. As discussed above, under Oil and Gas Reserves, the Committee concurred with management's assessment to reduce proved and probable reserves associated with both producing fields. Consequently, and having given consideration to the current oil price environment, management determined that there were indicators of impairment. Both assets were thoroughly tested through economic modelling using a range of assumptions. The TGT asset was determined to have a fair value in excess of its book carrying value, however the CNV asset fair value was found to be less than its carrying value. Management concluded, and the Committee agreed, that CNV should be impaired to its fair value as at 31 December 2014. DD&A on both assets will reflect the revised production and expenditure profiles from 2015. The Committee has discussed the Group's PP&E assets and associated impairment testing with both management and the auditors and concur with the treatment adopted, further details of which can be found in Note 15 to the Financial Statements.

DIRECTORS' REMUNERATION REPORT

ANTÓNIO MONTEIRO
REMUNERATION COMMITTEE CHAIRMAN

ANNUAL STATEMENT FROM THE REMUNERATION COMMITTEE CHAIRMAN

DEAR SHAREHOLDERS

On behalf of the Board, we are pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2014. This report has been prepared in accordance with section 421 of Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and is set out in two parts:

- **The Directors' Policy Table.** The full policy report was approved by shareholders at the 2014 Annual General Meeting and is set out in its entirety on the Company's website.
- **The Annual Report on Remuneration** which provides details on how Directors were paid in 2014 and the link between remuneration and SOCO's performance. This section of the report also outlines how we intend to implement the remuneration policy in 2015. This section of the report will be subject to an advisory shareholder vote at the 2015 AGM.

PERFORMANCE OF THE GROUP

As reported throughout the Strategic Report, the downturn in the macro environment following the dramatic fall in the oil price in the latter part of 2014, and the resulting uncertainty in 2015 over partner alignment on a development plan and appetite to commit capital, has impacted the Company including negative consequences to cash flows, reserves classifications and asset values. However, as also reported, 2014 was a strong year for SOCO. In Vietnam, we delivered the TGT development programme, got the H5 development underway and on target for a fast track to first oil, and finalised the ERC Equipoise study demonstrating TGT's full potential. A successful exploration well was drilled on Marine XI which significantly exceeded pre-test expectations and appears to suggest an extension of a field discovered on a contiguous block. Although commitments on Block V were fulfilled, since no value for this project has been reflected in the share price, the Committee determined to treat these objectives as unfulfilled for the purpose of determining bonus payouts. This resulted in a discretionary downwards adjustment to bonus payouts. The strategy was delivered with a second material cash return to shareholders, representing 60% of free cash flow thereby exceeding the targeted 50%, while maintaining a strong balance sheet, ending the year with no debt and over $166 million of cash, cash equivalents and liquid investments. Our operations results were accomplished while maintaining an exemplary record from a health and safety aspect.

HOW THIS PERFORMANCE WAS REFLECTED IN THE PAY OF OUR EXECUTIVE DIRECTORS

Full details on incentive payments for performance achieved to December 2014 are provided in the Annual Report on Remuneration, however in summary they are as follows:

- **Annual bonus –** We are mindful of the challenging macro environment and its impact on the sector including the Company and its shareholders. We have therefore decided that no cash bonus will be awarded in 2014. However, based on the strong performance during the year, the Committee's December 2014 assessment of performance against the weighted performance measures set at the beginning of the year resulted in a calculated award level for Directors of 80% of maximum. Accordingly, the Committee determined that 100% of any bonus should be deferred into SOCO shares vesting after two years. This is greater than the stated policy where any bonus over 100% of salary will normally be deferred, and results in the consequence that the bonus payout will be impacted by share price movements during the deferral period, in line with all other shareholders. Factors arising in 2015 will be considered in the assessment of 2015 performance.
- **Long Term Incentive Plan –** 100% of the potential maximum has vested in respect of LTIP awards made in December 2011. This reflects TSR performance against the comparator group at the 88th percentile in the three-year period to December 2014.

KEY DECISIONS AROUND REMUNERATION FOR 2014

Given our review of the executive remuneration framework last year, we are not proposing any changes to our policy. We believe that it continues to be well placed and aligns Executive Directors with our overarching strategic objective of building and recognising value for our shareholders.

In addition, no increases are being proposed to Executive Directors' salaries for 2015.

Further to the publication in 2014 of the updated UK Corporate Governance Code, we are implementing malus and clawback provisions on all variable pay arrangements from 2015 onwards.

We take an active interest in shareholder views and the voting on the Remuneration Report. Both our remuneration policy and our Remuneration Report received strong support from shareholders, with over 98% of votes case in favour of the resolutions. In response to feedback from shareholders, we have sought to improve the level of detail and clarity in this year's disclosure of performance targets assessed for annual bonus payouts. In addition, we will seek to improve our shareholder communications in respect of any future proposed policy changes.

We look forward to receiving your support at the upcoming AGM.

António Monteiro
Remuneration Committee Chairman

POLICY TABLE (UNAUDITED)

The policy table below summarises the remuneration policy which is effective from 12 June 2014 following shareholder approval at the 2014 AGM. The whole policy report, which is available on the Company's website, is intended to apply for three years. However, the Committee monitors the remuneration policy 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. Should the Committee resolve that the remuneration policy should be revised; such revisions will be subject to a binding shareholder vote.

POLICY TABLE FOR EXECUTIVE DIRECTORS

FIXED PAY

BASE SALARY

Purpose and link to strategy: **Core element of remuneration set at a sufficient level to attract and retain people of the necessary calibre to shape and execute the Company's strategy.**

OPERATION

- Contractual fixed cash amount paid monthly.
- Particular care is given in fixing the appropriate salary level considering that incentive pay is generally set at a fraction or multiple of base salary.
- The Committee takes into account a number of factors when setting salaries, including (but not limited to):
  - size and scope of individual's responsibilities
  - skills and experience of the individual
  - performance of the Company and the individual
  - appropriate market data
  - pay and conditions elsewhere in SOCO.
- Base salaries are normally reviewed annually.
- Results of benchmarking exercises are monitored for indications of potential unwarranted upward ratcheting.

MAXIMUM

- Although the Committee do not consider it appropriate to set a maximum salary level, any salary adjustments will normally be in line with those of the wider workforce.
- The Committee retains discretion to award higher increases in certain circumstances such as increased scope and responsibility of the role, or in the case of new Executive Directors who are positioned on a lower salary initially, as they gain experience over time.

BENEFITS

Purpose and link to strategy: **To provide Executive Directors with market competitive benefits consistent with the role.**

OPERATION

- Executive Directors receive benefits which may include (but are not limited to) medical care and insurance, permanent health insurance, life assurance cover, critical illness cover, travel benefits, expatriate benefits, car benefits and relocation expenses.

MAXIMUM

- Although the Committee do not consider it appropriate to set a maximum benefits level, benefits are positioned at an appropriate market level for the nature and location of the role.

PENSION

Purpose and link to strategy: **To provide retirement benefits consistent with the role.**

OPERATION

- Pension benefits are delivered through contributions to SOCO's money purchase plan up to relevant plan limits and/or a cash supplement.

MAXIMUM

- 20% of base salary per annum.

VARIABLE PAY

ANNUAL BONUS

Purpose and link to strategy: **Incentivises and rewards for the delivery of the strategic plan on an annual basis.**

OPERATION

- Payments are based on performance in the relevant financial year.
- At the beginning of the year, the Committee sets objectives which it considers are critical to the delivery of the business strategy.
- Performance against these key strategic objectives is assessed by the Committee at the end of the year.
- The Committee retains the discretion to amend the bonus payout (negatively or positively) to ensure it reflects the performance of either the individual or the Company.
- Payments up to 100% of salary are normally made in cash.
- Any bonus above 100% of salary will normally be deferred into awards of SOCO shares which vest after at least two years.

MAXIMUM

- 150% of base salary per annum, including cash and deferred components.

PERFORMANCE FRAMEWORK

- The annual bonus is based on individual and corporate performance during the year.
- Corporate goals are set annually and may include monitored measures for particular projects; portfolio objectives; corporate strategic goals; safety, social and environmental measures; financial measures and other measures as may be deemed appropriate and relevant to the period for delivery of the business strategy.
- If the Committee determines that a minimum level of performance has not been achieved, no bonus will be payable. Thereafter, the bonus will begin paying out, up to the maximum of 150% of salary.
- The Committee determines the appropriate weighting of the metrics each year.

LTIP

Purpose and link to strategy: **Incentivises and rewards for the Company's strategic plan of building shareholder value.**

OPERATION

- Typically a contingent award of shares is made annually in December, in the course of the annual review cycle.
- Vesting of the awards is dependent on the achievement of performance targets, which are typically measured over a three-year performance period.

MAXIMUM

- Usually 200% of base salary per annum.
- In circumstances which the Committee determines to be exceptional, annual awards of up to 400% of base salary per annum may be made.
- The maximum limit set out above applies to the total grants made each year under both the LTIP and share option plan per annum.

PERFORMANCE FRAMEWORK

- Awards vest based on performance against financial, operational and/or share price measures, as set by the Committee, which are aligned with the long term strategic objectives of SOCO.
- No less than 50% of the award will be based on share price measures. The remainder will be based on financial, operational or share price measures.
- If an event occurs which causes the Committee to consider that a waiver of, or amendment to, the performance conditions would be a fairer measure of performance and there has been a sustained improvement in financial performance, the performance conditions may be waived or amended.
- For 'threshold' levels of performance, 25% of the award vests. 100% of the award will vest for maximum performance. Pro-rating applies between these points and between ranking positions.

SHARE OPTION PLAN

Purpose and link to strategy: **Incentivises and rewards for the Company's strategic plan of building shareholder value.**

OPERATION

- Although Executive Directors are not currently granted market value options under the plan, flexibility is being maintained to do so if determined appropriate.
- Operation of the plan for Executive Directors would generally be consistent with the principles for operation of the LTIP set out above.
- Options may be exercised between three and ten years following grant, subject to the satisfaction of the relevant performance conditions.

MAXIMUM

- If determined appropriate, awards may be made in lieu of awards under the LTIP.
- The maximum limit set out in the LTIP section above applies to the total grants made under both the LTIP and share option plan per annum.

PERFORMANCE FRAMEWORK

- Awards vest based on performance against performance conditions as the Committee determine to be appropriate at that time.
- Taking into account the interests of shareholders, the Committee may vary the performance conditions in certain circumstances following the grant of an award so as to achieve their original purpose, but not to make their achievement any more or less difficult to satisfy.
- For 'threshold' levels of performance, 25% of the award vests. 100% of the award will vest for maximum performance.

OTHER POLICY

SHAREHOLDING GUIDELINES

Purpose and link to strategy: **Further increases alignment between Executive Directors and shareholders.**

OPERATION

- The Board has a policy requiring Executive Directors to build a minimum shareholding in SOCO shares equivalent to 100% of salary.

ANNUAL REPORT ON REMUNERATION (AUDITED)

SINGLE TOTAL FIGURE OF REMUNERATION

The table below sets out the total remuneration in respect of qualifying services for both Executive and Non-Executive Directors for the financial year 2014. It also provides comparative figures for 2013:

	2014							2013					
	Fees/ Salary $000s	Benefits[1] $000s	Cash Bonus $000s	Deferred[2] Bonus $000s	LTIP[3] $000s	Pension $000s	Total $000s	Fees/ Salary $000s	Benefits $000s	Bonus $000s	LTIP[3] $000s	Pension $000s	Total $000s
Executive													
E Story	**924**	**148**	–	**1,111**	**1,734**	**139**	**4,056**	924	137	924	1,335	139	3,459
R Cagle	**693**	**101**	–	**833**	**1,300**	**104**	**3,031**	693	133	693	1,001	104	2,624
C Cagle[4]	**473**	**84**	–	**568**	**594**	**71**	**1,790**	473	118	473	230	71	1,365
Non-Executive[5,6]													
R de Sousa	**313**	–	–	–	–	–	**313**	282	–	–	–	–	282
O Barbaroux	**82**	–	–	–	–	–	**82**	70	–	–	–	–	70
R Cathery	**82**	–	–	–	–	–	**82**	70	–	–	–	–	70
E Contini	**82**	–	–	–	–	–	**82**	70	–	–	–	–	70
M Daryabegui	**82**	–	–	–	–	–	**82**	18	–	–	–	–	18
R Gray	**99**	–	–	–	–	–	**99**	5	–	–	–	–	5
M Johns	–	–	–	–	–	–	–	65	–	–	–	–	65
A Monteiro	**91**	–	–	–	–	–	**91**	70	–	–	–	–	70
J Norton	**84**	–	–	–	–	–	**84**	70	–	–	–	–	70
M Watts	**91**	–	–	–	–	–	**91**	70	–	–	–	–	70
Total	**3,096**	**333**	–	**2,512**	**3,628**	**314**	**9,883**	**2,880**	**388**	**2,090**	**2,566**	**314**	**8,238**

[1] The benefits received by Executive Directors include private medical insurance, permanent health insurance, life assurance cover, critical illness cover, travel and expatriate benefits and car benefits.
[2] The near term average exchange rate at date of award of 1.56 has been used to convert share price from GB pounds to US dollars.
[3] The annual average exchange rate to 31 December 2014 of 1.65 has been used to convert share price from GB pounds to US dollars. The same exchange rate has been used for both 2014 and 2013 to ensure consistency between periods.
[4] C Cagle was appointed to the Board on 5 December 2012. Therefore her remuneration in respect of qualifying services set out for LTIPs vesting in 2014 and 2013 reflects the period from the date of appointment to the end of the LTIP performance period.
[5] Non-Executive Directors' fees are set in GB pounds and are reported in US dollars at the annual average exchange rate.
[6] Fees paid to M Daryabegui, R Gray and M Johns in 2013 are in proportion to their dates of service.

NOTES TO THE SINGLE TOTAL FIGURE TABLE

ANNUAL BONUS

As outlined in the Chairman's letter, in light of the near term impact of the recent challenging oil price environment on the Company's shareholders, the Committee determined that no cash bonus would be awarded for 2014. The Committee determined that 100% of any bonus should be deferred into SOCO shares vesting after two years. In the 2013 Annual Report, the Committee set out specific areas of emphasis in setting stretching performance measures for 2014, noting each objective is ranked against a scale of expectations. It was stated that the amount of bonus paid out would consider the relative importance of the achievements and the actual contribution of these towards furthering the Company's strategic plan. The Committee applied this process in its assessment of 2014 performance to determine bonus awards on the weighted performance measures, and a summary of the relative achievement compared to the performance range is set out in the diagram below.

The weightings resulted in an award at 80% of maximum for each Director. The Group's safety performance in the year was excellent, and did not result in a deduction to the above calculation. The Committee was satisfied with the results of the assessment, on the basis of delivery entirely as mandatory deferred shares under the terms of the deferred share bonus plan.

	THRESHOLD (0% payout)	TARGET (50% payout)	MAXIMUM (100% payout)

Vietnam Programme Objectives (70% weighting)

The TGT drilling programme remained on track with eight wells drilled in 2014. The H5 development received project sanctioning and all additional approvals required to fast track the programme. Construction was completed and platform installation commenced ahead of schedule. Drilling commenced and all related development works required to meet the first oil schedule remained on target or ahead of schedule. Testing of FPSO oil throughput capacity was delayed. However, testing of the total liquids handling capacity was accelerated successfully with modifications identified to increase capacity. An independent third-party completed an extensive study and analysis demonstrating TGT's full potential. While less material, due to unexpected geological problems a successful completion of an additional CNV well has been deferred.

Weighted Assessment: 56%

Portfolio Objectives (10% weighting)

A successful exploration well was drilled on Marine XI which significantly exceeded pre-test expectations and appears to suggest an extension of a field discovered on a contiguous block. A non-invasive seismic survey was successively completed over a portion of Lake Edward in Block V with no operational lost time injuries, and related commitments to conduct environmental studies and social projects were fulfilled. However, there is no value for this project built into the share price, and the Committee determined to treat these objectives as unfulfilled for the purpose of determining bonus payout, resulting in a discretionary downward adjustment. While exploration projects and other initiatives were progressed on target, adjustments to targets were initiated to ensure they remain appropriate in the current oil price environment.

Weighted Assessment: 4%

Corporate Objectives (20% weighting)

Corporate initiatives have progressed on target. The strategy was delivered with a second material cash return to shareholders, representing 60% of free cash flow thereby exceeding the targeted 50%, while maintaining a strong balance sheet ending the year with no debt and over $166 million of cash, cash equivalents and liquid investments. The executive team was strengthened and refreshed through the recruitment of a Chief Financial Officer who has excellent credentials and is well respected in the sector.

Weighted Assessment: 20%

DIRECTORS' REMUNERATION REPORT CONTINUED

The table to the right sets out the annual bonuses awarded to Executive Directors in respect of performance in 2014 following the assessment process described on page 67.

Details of these DSBP awards in the form of conditional share awards made during the year to Executive Directors are summarised in the table below. These awards are normally subject to continued service over a two-year vesting period, and will otherwise lapse in accordance with plan rules related to cessation of employment. Further details are given in the outstanding share awards table on page 70.

	2014 Annual Bonus		
	Cash $000s	Deferred Shares $000s	% of maximum
E Story	–	1,111	80%
R Cagle	–	833	80%
C Cagle	–	568	80%

	Date of Grant	Number of Shares Granted	Face Value[1] (£000s)	Normal Vesting Date
E Story	15.12.14	286,500	712	15.12.16
R Cagle	15.12.14	215,000	534	15.12.16
C Cagle	15.12.14	146,500	364	15.12.16

[1] Face value is calculated using the last closing share price of £2.485 preceding the date of grant. The near term average exchange rate of 1.56 preceding the date of grant has been used to convert share price from GB pound to calculate US dollar face value and % of salary at date of award.

LTIP AWARDS VESTING IN RESPECT OF 2014

The LTIP value shown in the single total figure table relates to the LTIP award granted in December 2011, which vested subject to SOCO's relative TSR performance for the three-year period ended 9 December 2014 against a group of comparator companies set out in the TSR comparator group table below.

The table below sets out an overview of SOCO's relative TSR performance over the relevant performance period and the level of vesting achieved in 2014 as a result:

		Performance Against Comparator Group
Vesting schedule	25% vesting	Median (50th percentile)
	100% vesting	Upper 16th (88th percentile)
Actual vesting	100%	86th percentile

LTIP AWARDS GRANTED IN 2014

LTIP awards in the form of conditional share awards made during the year to Executive Directors are summarised in the table below. Further details are given in the outstanding share awards table on page 70.

	Date of Grant	Number of Shares Granted	Face Value[1] (£000s)	Face Value[1]	Threshold Vesting (% of Face Value)	End of Performance Period
E Story	15.12.14	453,000	1,074	190%	25%	15.12.17
R Cagle	15.12.14	340,000	806	190%	25%	15.12.17
C Cagle	15.12.14	232,000	551	190%	25%	15.12.17

[1] Face value is calculated using the last closing share price of £2.485 preceding the date of grant. The near term average exchange rate of 1.56 preceding the date of grant has been used to convert share price from GB pound to calculate US dollar face value and % of salary at date of award.

These awards will be subject to SOCO's relative TSR performance over a three-year period against a group of comparator companies set out in the table below. 25% of the awards will vest for median performance, with full vesting for performance in the upper 16th percentile. Pro-rating applies between these points and between ranking positions.

TSR COMPARATOR GROUP

2014 TSR Comparator Group					
Afren	Enquest	JKX Petroleum	Niko Resources	Regal Petroleum	Sterling Energy
Bowleven	Gulfsands Petroleum	Lundin Petroleum	Oil Search	ROC Oil	Talisman Energy
Cairn Energy	Hardy Oil & Gas	Maurel & Prom	Ophir Energy	Salamander Energy	Tullow Oil
DNO International	Heritage Oil	Newfield Exploration	Premier Oil	Santos	

DIRECTORS' INTERESTS AS AT 31 DECEMBER 2014

The Board has a policy requiring Executive Directors to build 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. The table below sets out the Directors' interests as at 31 December 2014:

	Shareholding requirement		Beneficially owned shares	Awards subject to performance conditions	Awards vesting in respect of 2014	Awards subject to service conditions
	(% of salary)	Achieved (Yes/No)				
Executive						
E Story[1]	100%	Yes	13,191,131	1,098,014	401,090	286,500
R Cagle[2,4]	100%	Yes	5,083,299	814,024	300,817	215,000
C Cagle[3,4]	100%	Yes	2,914,962	562,288	205,028	146,500
Non-Executive						
R de Sousa[5]			9,158,820			
O Barbaroux			88,000			
R Cathery[6]			450,000			
E Contini[7]			27,664,381			
M Daryabegui			5,849			
R Gray			–			
A Monteiro			–			
J Norton[8]			460,000			
M Watts			98,431			

[1] 11,516,131 Shares are held personally by Mr E Story. 1,675,000 Shares are held through The Story Family Trust, a connected person to Mr E Story.
[2] 162,714 Shares are held personally by Mr R Cagle. 4,920,585 Shares are held through C Minor Ltd, a connected person to Mr R Cagle.
[3] 110,923 Shares are held personally by Ms C Cagle. 2,804,039 Shares are held through C Major Ltd, a connected person to Ms C Cagle.
[4] Mr R Cagle and Ms C Cagle are connected persons to each other, and are jointly interested in their combined total holdings. Additionally, as they both act as Directors of the Roger and Cynthia Cagle Family Foundation Limited (the Charity), it is considered to be a connected person of Mr R Cagle and Ms C Cagle and they are deemed to have a non-beneficial interest in 1,148,129 (0.35%) Shares held by the Charity.
[5] 450,000 Shares are held personally by Mr R de Sousa. 8,708,820 Shares are held through Palamos Ltd, a company controlled by, and therefore a connected person of Mr R de Sousa. Additionally, Quantic Limited is considered to be a connected person of Mr R de Sousa by virtue of it being an associated body corporate. Accordingly, Mr R de Sousa has an interest in 189,504 Shares held by Quantic Limited.
[6] 400,000 Shares are held personally by Mr R Cathery. 50,000 Shares are held though The Cathery Family Trust, a connected person to Mr R Cathery.
[7] 220,000 Shares are held personally by Mr E Contini. 27,444,381 Shares are held through Liquid Business Ltd, a connected person to Mr E Contini.
[8] 400,000 Shares are held personally by Mr J Norton. 60,000 Shares are held by his spouse.

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, 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 25 to the Financial Statements.

There have been no changes to the Directors' interests subsequent to 31 December 2014 other than as described in the notes to the table above.

ANNUAL REPORT ON REMUNERATION (UNAUDITED)

SHARE AWARDS OUTSTANDING AS AT 31 DECEMBER 2014

	Type of Award	As at 1 Jan 2014	Granted/ Awarded	Adjusted[1]	Exercised	Lapsed	As at 31 Dec 2014	Date From Which Exercisable[2]	Expiry Date
E Story	LTIP	379,282	–	21,808	401,090	–	–	–	–
	LTIP	336,943	–	19,374		–	356,317	5.12.15	–
	LTIP	273,000	–	15,697	–	–	288,697	6.12.16	–
	LTIP	–	453,000	–	–	–	453,000	15.12.17	–
	DSBP	–	286,500	–	–	–	286,500	15.12.16	–
R Cagle	LTIP	284,461	–	16,356	300,817	–	–	–	–
	LTIP	252,707	–	14,530		–	267,237	5.12.15	–
	LTIP	205,000	–	11,787	–	–	216,787	6.12.16	–
	LTIP	–	340,000	–	–	–	340,000	15.12.17	–
	DSBP	–	215,000	–	–	–	215,000	15.12.16	–
C Cagle	LTIP	194,051	–	11,157	205,208	–	–	–	–
	LTIP	172,330	–	9,908	–	–	182,238	5.12.15	–
	LTIP	140,000	–	8,050	–	–	148,050	6.12.16	–
	LTIP	–	232,000	–	–	–	232,000	15.12.17	–
	DSBP	–	146,500	–	–	–	146,500	15.12.16	–

[1] Outstanding awards under the Company's share schemes were adjusted in accordance with plan rules to take account of a variation in share capital during the year (see Note 28 to the Financial Statements).
[2] LTIP awards vest subject to SOCO's relative TSR performance against a group of comparator companies as set out in the table above. DSBP awards vest subject to continued service over a two-year vesting period.

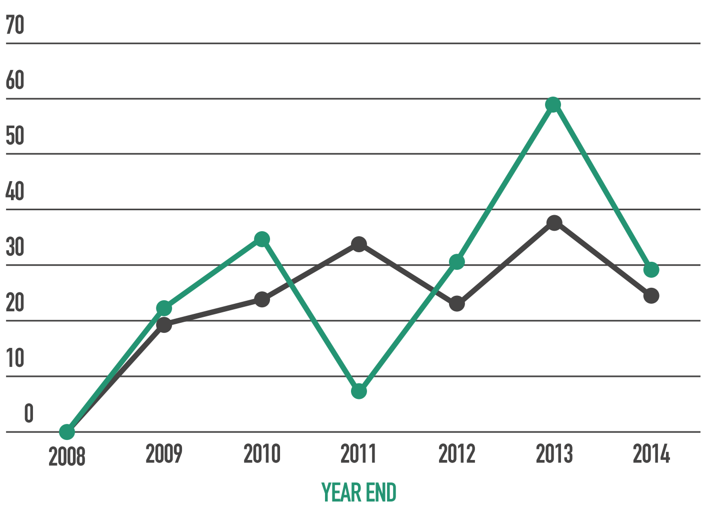
HISTORICAL TSR PERFORMANCE AND CEO OUTCOMES

HISTORICAL TSR PERFORMANCE

The chart below illustrates SOCO's six-year TSR performance against the FTSE Oil & Gas Index being a broad market index which is sector specific. Note that this does not represent either the comparator group or time period against which performance is assessed under the LTIP.

Total Shareholder Return KPI

SOCO Cumulative change
FTSE Oil & Gas Index Cumulative change



KPI See Additional Information – Key Performance Indicators on page 99 for all KPIs reported and their definitions.

CEO OUTCOMES

The table below shows the total remuneration paid to the CEO over the same six-year period. In addition, the annual bonus and LTIP payouts are set out in respect of each year as a percentage of the maximum:

	2009	2010	2011	2012	2013	2014
CEO single figure of remuneration ($000s)[1]	2,090	1,536	2,511	3,267	3,459	**4,056**
Annual bonus payout (% of maximum)	50%	25%	100%	100%	100%	**80%**
LTIP vesting (% of maximum)	59%	34%	53%	71%	66%	**100%**

[1] The current year annual average exchange rate has been applied to convert GB pounds to US dollars for all periods to ensure consistency between periods.

PERCENTAGE CHANGE IN REMUNERATION OF THE CEO

The table below illustrates the percentage change in salary, benefits and annual bonus for the CEO and all other employees.

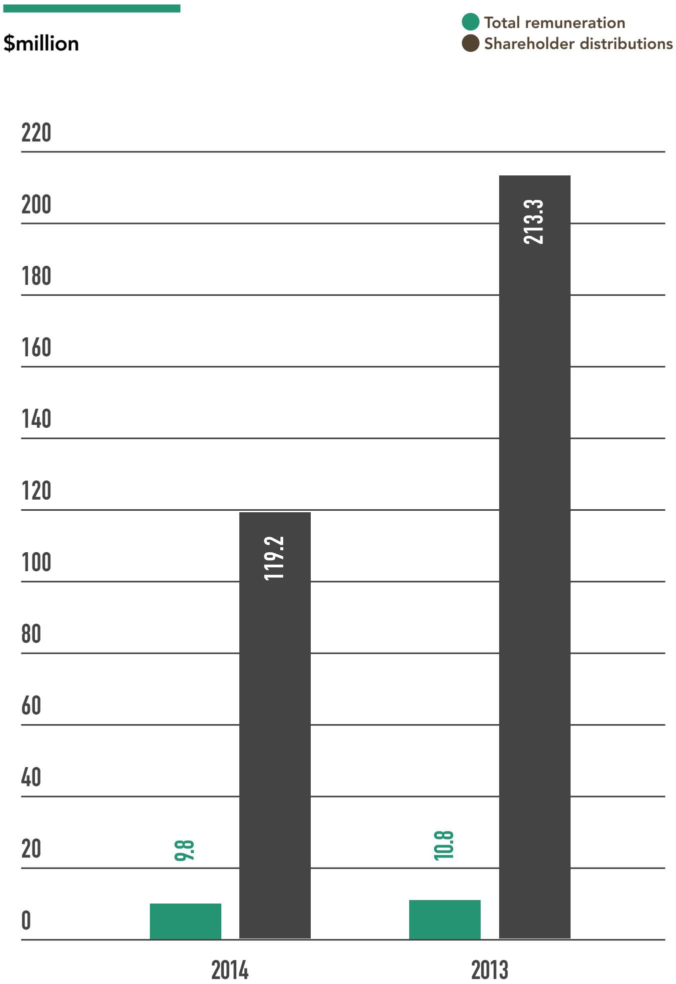
	% Change in Base Salary (2014/2013)	% Change in Benefits (2014/2013)[1]	% Change in Annual Bonus (2014/2013)[2]
CEO	0%	8%	26%
All other employees	4%	13%	28%

[1] There have been no changes to the Company's benefits packages during the year. Variances reflect other factors, including employee demographics and the level to which available allowances are taken up in a given year.
[2] The CEO's bonus is awarded in respect of the calendar year. Bonuses awarded to all other employees include a combination of awards in respect of the calendar year and in respect of the fiscal year ending 31 March 2014.

RELATIVE IMPORTANCE OF SPEND ON PAY

The chart below illustrates the year-on-year change in total remuneration as per Note 10 to the Financial Statements compared to the change in shareholder returns, which would include capital returns, dividends and share buybacks.

SPEND ON PAY



EXTERNAL APPOINTMENTS

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 2014 in the amount of $92,000 (2013 – $79,000).

IMPLEMENTATION FOR 2015

BASE SALARY

Executive Directors' salaries have not been increased for 2015.

	2015 Base Salary $000s	2014 Base Salary $000s	% Increase from 2014
E Story	924	924	0%
R Cagle	693	693	0%
C Cagle	473	473	0%

BENEFITS

For 2015, benefits available to Executive Directors will be consistent with those set out in the policy and provided in 2014 as described above.

ANNUAL BONUS

It is intended that annual bonus awards will be considered for Executive Directors in December 2015. In accordance with the policy, the maximum total bonus opportunity is 150% of salary, including cash and deferred components. To provide alignment with best practice and the performance of SOCO over the longer term, any bonus earned over 100% of salary will be deferred into SOCO shares to be held for two years. Normally, delivering these shares will be contingent on continued employment. Annual bonus payments will continue to be dependent on individual and corporate targets linked to SOCO's strategic plan. Due to commercial sensitivity, we are not disclosing details of bonus targets prospectively, but in line with our current practice, we will provide retrospective disclosure on achievement against measures following year end. However we can broadly indicate that performance measures for 2015 will emphasise goals associated with production targets, progressing the Vietnam development and appraisal programmes with our partners, advancing an independent reserves report, progressing the portfolio, delivering the corporate strategy, ESG goals and stewardship of the Company's resources in this challenging economic environment.

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.

LTIP

It is intended that grants will be made to Executive Directors in December 2015 in line with the policy set out above. The Committee's selection of performance criteria is kept under review to ensure the long term measures used remain appropriate to SOCO's circumstances and strategy, and most effectively support the delivery of value creation over time. For awards to be made in 2015, not less than 50% of the award will be dependent on a share price based measure, with the remainder dependent on either a share price based or financial measure.

DIRECTORS' REMUNERATION REPORT CONTINUED

MALUS AND CLAWBACK PROVISIONS

In compliance with the updated UK Corporate Governance Code issued in 2014, all variable pay arrangements will be subject to provisions which will enable the Committee to reduce vesting, or recover value delivered if certain circumstances occur. These circumstances include where an individual has engaged in an activity amounting to serious misconduct, fraud or leading to a misstatement of the Company's financial results (as determined by the Committee).

PENSION

For 2015, a pension benefit at 15% of salary will be provided through contributions to SOCO's money purchase plan up to plan limits and a cash supplement.

NON-EXECUTIVE DIRECTOR REMUNERATION

Non-Executive Director fees have not been increased for 2015.

	Fee from 1 January 2015	Fee from 1 January 2014
Chairman of the Company	£190,000	£190,000
Non-Executive Director	£50,000	£50,000
Additional fee: for Senior Independent Director	£10,000	£10,000
Additional fee: Chairman of Audit and Risk Committee	£5,000	£5,000
Additional fee: Chairman of Remuneration Committee	£5,000	£5,000

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 or pension schemes.

CONSIDERATION BY COMMITTEE OF MATTERS RELATING TO EXECUTIVE DIRECTORS' REMUNERATION

The Directors who were members of the Remuneration Committee when matters relating to Directors' remuneration for the year were being considered included Ambassador António Monteiro, Ms Marianne Daryabegui, Mr Rob Gray and Dr Mike Watts.

The Committee received assistance from Mr Ed Story (CEO) and Ms Cynthia Cagle (Company Secretary), except when matters relating to their own remuneration were being discussed.

Deloitte, who has voluntarily signed up to the Remuneration Consultants' Code of Conduct, were originally retained independently by the Committee as advisors following a tender process. In the year, they provided advice on current market practice and developments in best practice, implementation of the deferred share bonus plan and testing and setting of performance criteria for incentive plans. Deloitte also provide audit services to the Group, as set out in Note 9 to the Financial Statements. 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. Total fees for advice provided to the Committee during the year were £11,500.

When setting the policy for Executive Directors' remuneration, the Committee takes into account pay conditions elsewhere in the Company and, as appropriate, any external market reference points.

The Committee reviews all aspects of remuneration on an annual basis and with respect to individual and corporate performance during the year. Benchmarking is generally conducted on at least 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 was undertaken in 2013.

SHAREHOLDER VOTING

At the last AGM held on 13 June 2014, the remuneration policy and the Directors' Remuneration Report received the following votes from shareholders:

	Remuneration Report		Remuneration Policy	
	Votes	%	Votes	%
Votes in favour	174,258,046	98.7%	156,162,798	98.4%
Votes against	2,253,919	1.3%	2,497,723	1.6%
Total Votes	176,511,965	100%	158,660,521	100%
Votes Withheld	4,948,616	–	22,800,060	–

SHAREHOLDER DILUTION

SOCO monitors the number of shares issued under employee share plans and their impact on dilution limits. These will not exceed the limits set by The Investment Association in respect of all share plans (10% in any rolling ten-year period) and executive share plans (5% in any rolling ten-year period).

Cynthia Cagle
Company Secretary

ROBERT HARRIS
CORPORATE FINANCIAL CONTROLLER

NEIL GIBSON
MANAGER – GROUP REPORTING, TAXATION & TREASURY

FINANCIAL STATEMENTS

The Group's financial results delivered solid revenue of $448.2 million, albeit down from the 2013 results, reflecting both lower production and lower realised average oil price of c. $103 per barrel (2013 – c. $113 per barrel). The Group is reporting a post-tax profit for the year of $14.0 million (2013 – $104.1 million), which includes an exploration write-off of $79.5 million associated with costs incurred on the Albertine Graben Block V in eastern DRC and costs of new ventures, and a gross impairment charge on the CNV asset of $60.5 million (net $38.2 million after tax impact). Before accounting for the non-cash impact of the exploration write-offs and impairments, post-tax profits were down from $196.1 million in 2013 to $131.7 million in 2014.

Operating cash flow came in at $251.2 million in 2014, down from $314.4 million in 2013, reflecting lower sales volumes and lower realised oil prices. Capital expenditures were up from $99.1 million in 2013 to $162.5 million in 2014 predominantly due to the TGT H5 development and exploration activity in Africa. SOCO made its second return of cash to shareholders during 2014 of c. $119 million, bringing the total returned in the Company's short history of making distributions to c. $333 million.

With cash, cash equivalents and liquid investments of $166.4 million at 2014 year-end – dropping only $43.6 million year-on-year despite the significant capital programme, second substantial return to shareholders and lower operating cash inflows – SOCO has exited 2014 with substantial financial flexibility.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOCO INTERNATIONAL PLC

OPINION ON FINANCIAL STATEMENTS OF SOCO INTERNATIONAL PLC

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 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity, the Group and Company Cash Flow Statements and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and 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.

GOING CONCERN

As required by the Listing Rules we have reviewed the Directors' statement on page 50 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We assessed the design and implementation of key controls regarding the risks below. These risks are the same as those discussed in 2013 with the addition of impairment relating to producing assets on the grounds that there has been a significant drop in the oil price.

IMPAIRMENT OF INTANGIBLE EXPLORATION AND EVALUATION ASSETS

In accordance with relevant accounting standards, E&E costs are assessed for impairment at least annually. This is considered a key risk due to the significant judgments and estimates that are required to be assessed, and the highly material nature of the related balances in the financial statements.

How the scope of our audit responded to the risk
We evaluated and challenged management's assessment of whether there were any indicators of impairment for the Group's material E&E assets, taking into consideration the impairment indicators outlined in IFRS 6 "Exploration for and Evaluation of Mineral Resources" such as:

- expiry or relinquishment of exploration and evaluation licences;
- no expenditure for further exploration and evaluation in the specific area is planned or budgeted for;
- whether exploration and evaluation activities have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue activities in the area; or
- whether data exists to suggest that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Our procedures included interviews with key operational and finance staff in London to understand the current status and future intention for each asset, confirming that all assets which remain capitalised are included in future budgets and plans, and identifying any fields where the Group's right to explore is either at, or close to, expiry. We corroborated material facts, for example by agreement to approved internal or operator budgets and work programmes or contractual agreements. In the current year, particular focus was given to the Group's interests in the Albertine Graben, Cabinda and Nanga IIA due to the facts and circumstances surrounding these projects including those matters described in the review of operations on page 15 to 23. Where an asset has been impaired, we have obtained evidence about the events that led to the impairment.

Details of the Group's policy on exploration and evaluation assets is given in note 2 of the financial statements and note 14 of the financial statements includes details of the Group's exploration assets and the impairments of $73.6 million which arose during the year.

OIL AND GAS RESERVES ESTIMATES

This was considered to be a key risk due to the subjective nature of reserves estimates and their impact on the financial statements through impairment and DD&A calculations, and because the TGT field, which contributes the substantial majority of SOCO's estimated reserves and DD&A, is particularly complex and in a relatively early stage of production with uncertainty over its further development.

Management has engaged third party consultants to develop a simulation model of the TGT field and to prepare an estimate of reserves as at the year end using standard industry reserve estimation methods and definitions. For CNV, management prepared its own revised estimate of reserves with the assistance of an internal expert.

How the scope of our audit responded to the risk
We compared the oil and gas reserves figures used in the DD&A calculations and in management's impairment calculations with the estimates produced by the third-party for Block 16-1 (TGT) and by management for Block 9-2 (CNV).

For TGT we have read the third party consultant's report on their reservoir modelling work and their subsequent report to management on year end reserves estimates. Assisted in our challenge by our own internal experts, we met with the third party consultants to discuss and assess their scope of work, expertise and objectivity. We reviewed their terms of engagement and assessed whether the approach they had applied in their reserves estimation advice was appropriate and in line with our expectations, and considered whether there were any indications of bias.

For CNV we read the paper prepared by management's internal expert and discussed the paper with management, assisted in our challenge by our own internal experts. We assessed whether the approach they had applied in their reserves estimation advice was appropriate and in line with our expectations, and considered whether there were any indications of bias.

Management's reserves estimates are included on page 100 to the annual report. In addition, management has explained the scope of work of the third party and their findings on page 18 in the review of operations, as well as highlighting oil and gas reserves as a key source of estimation uncertainty in note 4 to the financial statements. We assessed whether these disclosures are consistent with the amounts used in management's DD&A and accounting calculations and fairly describe the impact of the estimation uncertainty.

ACCOUNTING FOR DEPLETION, DEPRECIATION AND AMORTISATION OF PRODUCING OIL AND GAS ASSETS

This is considered a key risk due to the calculation including judgmental estimates of the remaining commercial oil & gas reserves, the estimation of future capital works and related expenditure required to extract those reserves and the date of application relating to any revisions to estimates.

How the scope of our audit responded to the risk
As well as the work performed on the reserves quantities included in the DD&A calculation, as above, we compared the estimates of future capital expenditure to plans and budgets. We checked that the development scenarios from which capital expenditure estimates are derived are consistent with the scenario on which reserves estimates are based. We considered the timing of adoption of the revised reserves and future capital expenditure estimates for the purposes of calculating DD&A in light of the timing of events and circumstances that led to the revision to estimates. We re-performed the DD&A calculation to check for mechanical accuracy. Note 2 to the financial statements provides details on the Group's policy on DD&A.

Impairment of producing oil and gas assets
This is considered as a key risk due to the significant judgments and estimates that need to be made in assessing whether any impairments have arisen in the year and quantifying any such impairments. This is a particular area of focus for 2014 given the significant fall in oil price during the year and the interrelated downward revision to reserves estimates.

Management reviewed each of its two producing fields for indicators of impairment, identifying in each case that indicators of impairment were present. Management has estimated the fair values less costs of disposal of each field and compared these to the carrying amount of each field on the balance sheet. Management's fair value estimate is based on key assumptions which include:

- oil price;
- gas price;
- discount rate;
- reserve estimates and production profiles;
- future operating and capital expenditure; and
- other significant assumptions used to generate the fair value amounts associated with the Group's producing assets.

During the year with regards to CNV, an impairment charge of $60.5 million was recognised.

How the scope of our audit responded to the risk
As well as our work on reserves above, we have assessed and challenged these assumptions by reference to publicly available information, third party information, our knowledge of the Group and industry and also budgeted and forecast performance. We have performed stress tests for a range of reasonably possible scenarios (including oil price) on management's impairment model and tested the calculations for mechanical accuracy. We specifically considered whether the incremental fair value attributed to the CNV contingent resources was appropriate, and whether the additional discounts applied by management in measuring this incremental fair value were reasonable.

Where an impairment charge was identified, we assessed whether an appropriate provision has been recorded, and that appropriate disclosures had been made. Further details are provided in note 15 to the financial statements.

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on pages 61 to 62.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

When setting materiality, among other factors we considered the Group's profit before tax in the current period as well as that in recent periods; the occurrence of any non-recurring or volatile gains and losses (such as impairments and exploration write offs) and the level of consolidated shareholders equity. We determined materiality for the Group to be $19.0 million (2013: $27.0 million) which is 12.4% (2013: 8.1%) of profit before tax, 6.5% (2013: 6.3%) of profit before tax adjusted for impairments and exploration write offs and 1.9% (2013: 2.5%) of equity.

Materiality for each of the reporting components was set at between $9.5 million and $13.3 million, depending on the relative size of the component.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of $380,000 (2013: $595,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused primarily on the Group's two key business units, being Vietnam (which is accounted for in Vietnam and in London) and Africa (which is accounted for in Africa and London), together with the head office function

INDEPENDENT AUDITOR'S REPORT CONTINUED

in London. As with the prior year, these locations account for all of the Group's net assets, revenue and profit before tax. All of these locations were subject to a full scope audit.

The Group audit team assesses each year how best to be appropriately involved in the audit work undertaken in Vietnam. In the current year, in addition to regular interaction and review through correspondence, telephone and other electronic media, a senior member of the audit team visited the Vietnam component during the audit planning phase.

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 Strategic Report and 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

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement
Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Bevan Whitehead ACA (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
11 March 2015

CONSOLIDATED INCOME STATEMENT FOR THE YEAR TO 31 DECEMBER 2014

	Notes	2014 $ million	2013 $ million
Revenue	5,6	**448.2**	608.1
Cost of sales		**(143.8)**	(169.1)
Gross profit		**304.4**	439.0
Administrative expenses		**(11.8)**	(13.2)
Exploration costs written off	14	**(79.5)**	(92.0)
Impairment of property, plant and equipment	15	**(60.5)**	–
Operating profit		**152.6**	333.8
Investment revenue	5	**0.7**	1.0
Other gains and losses	7	**1.6**	1.3
Finance costs	8	**(2.2)**	(2.8)
Profit before tax	6	**152.7**	333.3
Tax	6,11	**(138.7)**	(229.2)
Profit for the year		**14.0**	104.1
Earnings per share (cents)	13		
Basic		**4.3**	31.7
Diluted		**4.2**	31.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO 31 DECEMBER 2014

	Note	2014 $ million	2013 $ million
Profit for the year		**14.0**	104.1
Items that may be subsequently reclassified to profit or loss:			
Unrealised currency translation differences		**(1.8)**	9.3
Total comprehensive income for the year	27	**12.2**	113.4

BALANCE SHEETS AS AT 31 DECEMBER 2014

		Group		Company	
	Notes	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million
Non-current assets					
Intangible assets	14	**209.1**	215.7	**–**	–
Property, plant and equipment	15	**790.0**	801.3	**1.0**	0.9
Investments	16	**–**	–	**689.4**	884.6
Financial asset	17	**45.0**	43.4	**–**	–
Other receivables	18	**24.6**	15.0	**–**	–
		1,068.7	1,075.4	**690.4**	885.5
Current assets					
Inventories	20	**6.1**	7.3	**–**	–
Trade and other receivables	21	**39.6**	68.9	**0.6**	0.8
Tax receivables		**1.1**	0.9	**0.5**	0.4
Liquid investments		**40.2**	80.1	**–**	–
Cash and cash equivalents	29	**126.2**	129.9	**0.2**	0.3
		213.2	287.1	**1.3**	1.5
Total assets		**1,281.9**	1,362.5	**691.7**	887.0
Current liabilities					
Trade and other payables	22	**(43.9)**	(36.1)	**(2.2)**	(1.7)
Tax payable		**(11.6)**	(18.5)	**(0.2)**	(0.1)
		(55.5)	(54.6)	**(2.4)**	(1.8)
Net current assets (liabilities)		**157.7**	232.5	**(1.1)**	(0.3)
Non-current liabilities					
Deferred tax liabilities	19	**(200.2)**	(184.2)	**–**	–
Long term provisions	23	**(51.1)**	(42.9)	**–**	–
		(251.3)	(227.1)	**–**	–
Total liabilities		**(306.8)**	(281.7)	**(2.4)**	(1.8)
Net assets		**975.1**	1,080.8	**689.3**	885.2
Equity					
Share capital	24	**27.6**	27.6	**27.6**	27.6
Share premium account	24	**–**	11.1	**–**	11.1
Other reserves	25	**239.5**	226.5	**195.0**	183.1
Retained earnings	27	**708.0**	815.6	**466.7**	663.4
Total equity		**975.1**	1,080.8	**689.3**	885.2

The financial statements were approved by the Board of Directors on 11 March 2015 and signed on its behalf by:

Rui de Sousa
Chairman

Roger Cagle
Director

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR TO 31 DECEMBER 2014

						Group
	Notes	Called up share capital $ million	Share premium account $ million	Other reserves (see Note 25) $ million	Retained earnings (see Note 27) $ million	Total $ million
As at 1 January 2013		27.6	73.0	105.5	970.5	1,176.6
Distributions		–	–	–	(210.9)	(210.9)
Issue and redemption of B shares		–	(61.9)	61.9	–	–
Share-based payments		–	–	1.4	–	1.4
Transfer relating to share-based payments		–	–	(0.7)	0.7	–
Transfer relating to share-based payments in prior years		–	–	58.3	(58.3)	–
Transfer relating to convertible bonds		–	–	(0.2)	0.2	–
Unrealised currency translation differences		–	–	0.3	9.3	9.6
Retained profit for the year		–	–	–	104.1	104.1
As at 1 January 2014		**27.6**	**11.1**	**226.5**	**815.6**	**1,080.8**
Distributions	26, 27	**–**	**–**	**–**	**(118.1)**	**(118.1)**
New shares issued	24	**–**	**0.1**	**–**	**–**	**0.1**
Issue and redemption of B shares	24, 25	**–**	**(11.2)**	**11.2**	**–**	**–**
Share-based payments	25	**–**	**–**	**0.4**	**–**	**0.4**
Transfer relating to share-based payments	25, 27	**–**	**–**	**1.7**	**(1.7)**	**–**
Unrealised currency translation differences	27	**–**	**–**	**(0.3)**	**(1.8)**	**(2.1)**
Retained profit for the year		**–**	**–**	**–**	**14.0**	**14.0**
As at 31 December 2014		**27.6**	**–**	**239.5**	**708.0**	**975.1**

						Company
	Notes	Called up share capital $ million	Share premium account $ million	Other reserves (see Note 25) $ million	Retained earnings (see Note 27) $ million	Total $ million
As at 1 January 2013		27.6	73.0	60.8	646.7	808.1
Distributions		–	–	–	(213.3)	(213.3)
Issue and redemption of B shares		–	(61.9)	61.9	–	–
Share-based payments		–	–	1.4	–	1.4
Transfer relating to share-based payments		–	–	(0.7)	0.7	–
Transfers relating to share-based payments in prior years		–	–	59.7	(54.3)	5.4
Unrealised currency translation differences		–	–	–	27.8	27.8
Retained profit for the year		–	–	–	255.8	255.8
As at 1 January 2014		**27.6**	**11.1**	**183.1**	**663.4**	**885.2**
Distributions	26, 27	**–**	**–**	**–**	**(119.2)**	**(119.2)**
New shares issued	24	**–**	**0.1**	**–**	**–**	**0.1**
Issue and redemption of B shares	24, 25	**–**	**(11.2)**	**11.2**	**–**	**–**
Share-based payments	25	**–**	**–**	**0.4**	**–**	**0.4**
Transfer relating to share-based payments	25, 27	**–**	**–**	**0.6**	**(1.7)**	**(1.1)**
Unrealised currency translation differences	27	**–**	**–**	**(0.3)**	**(53.9)**	**(54.2)**
Retained profit for the year	12	**–**	**–**	**–**	**(21.9)**	**(21.9)**
As at 31 December 2014		**27.6**	**–**	**195.0**	**466.7**	**689.3**

CASH FLOW STATEMENTS FOR THE YEAR TO 31 DECEMBER 2014

	Notes	Group 2014 $ million	Group 2013 $ million	Company 2014 $ million	Company 2013 $ million
Net cash from (used in) operating activities	29	**251.2**	314.4	**(6.8)**	(13.7)
Investing activities					
Purchase of intangible assets		**(77.0)**	(63.1)	**–**	–
Purchase of property, plant and equipment		**(85.5)**	(36.0)	**(0.2)**	(0.1)
Decrease (increase) in liquid investments[1]		**39.9**	(30.1)	**–**	–
Payment to abandonment fund	18	**(9.6)**	(15.0)	**–**	–
Investment in subsidiary undertakings	16	**–**	–	**0.9**	(90.7)
Dividends received from subsidiary undertakings		**–**	–	**130.0**	309.7
Net cash (used in) from investing activities		**(132.2)**	(144.2)	**130.7**	218.9
Financing activities					
Share-based payments	25	**(1.2)**	–	**(1.2)**	–
Repayment/repurchase of convertible bonds	8	**–**	(47.8)	**–**	–
Distributions	26	**(118.1)**	(210.9)	**(119.2)**	(213.3)
Proceeds on issue of ordinary share capital	24	**0.1**	–	**0.1**	–
Net cash used in financing activities		**(119.2)**	(258.7)	**(120.3)**	(213.3)
Net (decrease) increase in cash and cash equivalents		**(0.2)**	(88.5)	**3.6**	(8.1)
Cash and cash equivalents at beginning of year		**129.9**	208.5	**0.3**	0.2
Effect of foreign exchange rate changes		**(3.5)**	9.9	**(3.7)**	8.2
Cash and cash equivalents at end of year[1]		**126.2**	129.9	**0.2**	0.3

[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 2014 was $166.4 million (2013 – $210.0 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 inside back cover. 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 23 and 24 to 28, respectively.

02 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with, and comply with, IFRS 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 also been prepared on a going concern basis of accounting for the reasons set out in the Annual Report of the Directors on page 50 and in the Financial Review on page 28. 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, 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 EU):

- IFRS 2, 3, 8 – Amendments resulting from Annual Improvements 2010-2012 Cycle
- IFRS 1, 3, 13 – Amendments resulting from Annual Improvements 2011-2013 Cycle (scope exception for joint ventures)
- IFRS 5, 7 – Amendments resulting from Annual Improvements 2012-2014 Cycle
- IFRS 9 Financial Instruments
- IFRS 10 (amended) Consolidated Financial Statements
- IFRS 11 (amended) Joint Arrangements
- IFRS 15 Revenue from Contracts with Customers
- IAS 16, 38 (amended) Property, Plant and Equipment
- IAS 16, 24, 38 – Amendments resulting from Annual Improvements 2010-2012 Cycle
- IAS 19, 34 – Amendments resulting from Annual Improvements 2012-2014 Cycle
- IAS 19 (amended) Employee Benefits
- IAS 27 (amended) Separate Financial Statements
- IAS 28 (amended) Investments in Associates
- IAS 40 – Amendments resulting from Annual Improvements 2011-2013 Cycle (scope exception for 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

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

Non-current investments in subsidiaries of the Company are shown at cost less provision for impairment. Liquid investments comprise short term liquid investments of between three to six months maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

02 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Interests in joint ventures
A joint arrangement (or 'joint venture') is an arrangement where two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements where the Group has the rights to assets, and obligations for liabilities of the arrangement are classified as joint operations and are accounted for by recognising the Group's share of assets, liabilities, income and expenses. Joint arrangements where the Group has the rights to the net assets of the arrangement are classified as joint ventures and are accounted for using the equity method of accounting.

(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 and is recognised when the risks and rewards of ownership have been transfered to the buyer. 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
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.

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, from the date of adoption of the revised estimates, over the estimated remaining proven and probable reserves.

(j) Inventories
Inventories, except for inventories of hydrocarbons, are valued at the lower of cost and net realisable value.

Physical inventories of hydrocarbons are valued at net realisable value in line with well established industry practice. 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.

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

Financial asset at fair value through profit or loss
Where a financial instrument is classified as a financial asset at fair value through profit or loss it is initially recognised at fair value. At each balance sheet date the fair value is reviewed and any gain or loss arising is recognised in the income statement. 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 generally stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade payables
Trade payables are generally stated at their nominal value.

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.

02 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(o) Foreign currencies continued
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 and Risk Committee. The main financial risks affecting the Group are discussed in the Risk Management Report on pages 29 to 33.

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

(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 and DD&A
Note 2(h) sets out the Group's accounting policy on DD&A. Proven and probable reserves are estimated using standard recognised evaluation techniques and are disclosed on page 100. The estimate is reviewed at least twice a year and is regularly reviewed by external 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 15, the TGT and CNV proved and probable reserves estimates have been revised based on ongoing work of ERCE in respect of TGT and by internal experts working collaboratively with the JOC in respect of CNV. DD&A on both assets will increase on a per barrel basis to reflect the revised production and expenditure profiles from 2015. 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.

Impairment of producing oil and gas assets
If impairment indicators are identified in relation to a producing oil and gas field, management is required to compare the net carrying value of the assets and liabilities which represent the field cash generating unit with the estimated recoverable amount of the field. Management generally determines the recoverable amount of the field by estimating its fair value less costs of disposal, using a discounted cash flow method. Calculating the net present value of the discounted cash flows involves key assumptions which include oil and gas prices, reserves estimates and production profiles, future operating and capital expenditures, discount rates and other assumptions. Further information relating to the specific assumptions and uncertainties relevant to impairment tests performed in the year are discussed in Note 15.

Financial asset
Note 2(n) describes the accounting policy with respect to financial assets at fair value through profit or loss. The key estimates that are used in calculating the fair value of the Group's financial asset arising on the disposal of its Mongolia interest are described in Note 17 and are reviewed at least annually. The only market risk assumption that has a significant impact on the fair value of this asset is the discount rate, as described in the Risk Management Report on page 33.

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

05 TOTAL REVENUE

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

	2014 $ million	2013 $ million
Oil and gas sales (see Note 6)	**448.2**	608.1
Investment revenue	**0.7**	1.0
	448.9	609.1

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.

	SE Asia $ million	**Africa[2] $ million**	**Unallocated $ million**	**2014 Group $ million**
Oil and gas sales (see Note 5)	**448.2**	**–**	**–**	**448.2**
Depletion and depreciation	**50.1**	**–**	**0.1**	**50.2**
Impairment of property, plant and equipment (see Note 15)	**60.5**	**–**	**–**	**60.5**
Profit (loss) before tax[1]	**241.5**	**(79.2)**	**(9.6)**	**152.7**
Tax charge (see Note 11)	**138.1**	**–**	**0.6**	**138.7**

	SE Asia $ million	Africa[2] $ million	Unallocated $ million	2013 Group $ million
Oil and gas sales	608.1	–	–	608.1
Depletion and depreciation	44.6	–	0.2	44.8
Impairment of property, plant and equipment	–	–	–	–
Profit (loss) before tax[1]	437.7	(92.0)	(12.4)	333.3
Tax charge	229.0	–	0.2	229.2

[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 to the extent they are recoverable.

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 $234.5 million and $194.4 million (2013 – South East Asia $240.3 million, $102.2 million, $64.9 million) which arose from the Group's largest individual customers who have contributed 10% or more to the Group's revenue.

Geographical information

Group revenue and non-current assets (excluding the financial asset and other receivables) by geographical location are separately detailed below where they exceed 10% of total revenue or non-current assets, respectively.

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.

	2014 $ million	2013 $ million
Vietnam	**240.0**	74.7
China	**97.8**	86.0
Australia	**48.1**	137.5
Malaysia	**35.5**	146.9
Other	**26.8**	163.0
	448.2	608.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

06 SEGMENT INFORMATION CONTINUED

Non-current assets

	2014 $ million	2013 $ million
United Kingdom	**1.0**	0.9
Vietnam	**789.0**	800.6
Congo	**147.1**	116.7
Other – Africa	**62.0**	98.8
	999.1	1,017.0

07 OTHER GAINS AND LOSSES

	2014 $ million	2013 $ million
Change in fair value of financial asset (see Note 17)	**1.7**	1.3
Currency exchange loss	**(0.1)**	–
	1.6	1.3

08 FINANCE COSTS

	2014 $ million	2013 $ million
Interest payable in respect of convertible bonds	**–**	1.4
Other interest payable and similar fees	**0.1**	0.1
Unwinding of discount on provisions (see Note 23)	**2.1**	1.3
	2.2	2.8

On 16 May 2013 the remaining convertible bonds, with par value of $47.8 million, were purchased at par value and cancelled. Interest of 4.5% per annum was paid semi-annually up to that date.

09 AUDITOR'S REMUNERATION

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

	2014 $ million	2013 $ 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 include advice to the Remuneration Committee, agreed upon procedures relating to the Group's Africa and South East Asia regions, as well as regulatory and other advice to management.

Details of the Company's policy on the use of auditors for non-audit services are set out in the Audit and Risk Committee Report on pages 60 to 62.

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

10 STAFF COSTS

The average monthly number of employees of the Group including Executive Directors was 17 (2013 – 16), of which 13 (2013 – 12) were administrative personnel and 4 (2013 – 4) were operations personnel. Their aggregate remuneration comprised:

	Group	
	2014 $ million	2013 $ million
Wages and salaries	**6.3**	7.9
Social security costs	**0.6**	0.3
Share-based payment expense (see Note 28)	**1.6**	1.4
Other pension costs under money purchase schemes	**0.6**	0.6
Other benefits	**0.7**	0.6
	9.8	10.8

In accordance with the Group's accounting policy $2.5 million of the Group's staff costs above have been capitalised (2013 – $3.8 million).

11 TAX

	2014 $ million	2013 $ million
Current tax	**122.7**	158.3
Deferred tax (see Note 19)	**16.0**	70.9
	138.7	229.2

The Group's corporation tax is calculated at 50% (2013 – 50%) of the estimated assessable profit for the year in Vietnam. During 2014 and 2013 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:

	2014 $ million	2013 $ million
Profit before tax	**152.7**	333.3
Profit before tax at 50% (2013 – 50%)	**76.4**	166.7
Effects of:		
Non-taxable income and non-deductible expenses	**18.1**	11.0
Tax losses not recognised	**3.9**	5.6
Non-deductible exploration costs written off	**39.7**	46.0
Adjustments to tax charge in respect of previous years	**0.6**	(0.1)
Tax charge for the year	**138.7**	229.2

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 above.

12 PROFIT ATTRIBUTABLE TO SOCO INTERNATIONAL PLC

The loss for the financial year dealt with in the accounts of the Company was $21.9 million after an impairment of Group investments of $141.1 million and inclusive of dividends from subsidiary undertakings (2013 – profit of $255.8 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13 EARNINGS PER SHARE

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

	2014 $ million	2013 $ million
Earnings for the purposes of basic and diluted earnings per share	**14.0**	104.1

	Number of shares (million)	
	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	**328.6**	328.2
Effect of dilutive potential ordinary shares – Share awards and options	**1.3**	0.8
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**329.9**	329.0

14 INTANGIBLE ASSETS

		Group
	2014 $ million	2013 $ million
Exploration and evaluation expenditure		
As at 1 January	**215.7**	199.7
Additions	**67.0**	71.7
Transfer from assets held for sale	**–**	36.3
Exploration costs written off	**(73.6)**	(92.0)
As at 31 December	**209.1**	215.7

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

During 2014, exploration and evaluation costs including costs associated with the Albertine Graben Block V in eastern DRC and costs associated with the early stages of new ventures in the amount of $73.6 million, were written off in the income statement in accordance with the Group's accounting policy on oil and gas exploration and evaluation expenditure. In accordance with IAS 37, a further $5.9 million has been accrued in respect of anticipated future expenditure to complete the current work programme on Block V in the absence of plans to continue thereafter. In 2013, the charge of $92.0 million represents the costs incurred, since its acquisition, on the relinquished Nganzi licence, onshore DRC.

15 PROPERTY, PLANT AND EQUIPMENT

	Group			Company
	Oil and gas properties $ million	Other $ million	Total $ million	Other $ million
Cost				
As at 1 January 2013	902.9	2.1	905.0	1.7
Additions	29.4	0.1	29.5	0.1
As at 1 January 2014	**932.3**	**2.2**	**934.5**	**1.8**
Additions	**99.2**	**0.2**	**99.4**	**0.2**
Currency exchange	**–**	**(0.1)**	**(0.1)**	**(0.1)**
As at 31 December 2014	**1,031.5**	**2.3**	**1,033.8**	**1.9**
Depreciation				
As at 1 January 2013	87.3	1.1	88.4	0.7
Charge for the year	44.6	0.2	44.8	0.2
As at 1 January 2014	**131.9**	**1.3**	**133.2**	**0.9**
Charge for the year	**50.1**	**0.1**	**50.2**	**0.1**
Impairment	**60.5**	**–**	**60.5**	**–**
Currency exchange	**–**	**(0.1)**	**(0.1)**	**(0.1)**
As at 31 December 2014	**242.5**	**1.3**	**243.8**	**0.9**
Carrying amount				
As at 31 December 2014	**789.0**	**1.0**	**790.0**	**1.0**
As at 31 December 2013	800.4	0.9	801.3	0.9

As discussed in the Review of Operations on pages 15 to 23 management's estimate of the CNV proved and probable oil and gas reserves has been reduced. Combined with lower oil prices this has led to the estimated recoverable amount of the CNV producing asset being less than the book carrying value. The recoverable amount of the CNV producing asset has been determined using the fair value less costs of disposal method which constitutes a level 3 valuation within the fair value hierarchy. The majority of the fair value is derived from a discounted cash flow valuation of the 2P production profile, with a minor portion derived from the incremental value of 2C contingent resources, significantly risk adjusted. The key assumptions to which the fair value measurement is most sensitive are oil price, reserves and the risked value ascribed to contingent resources. Consequently a pre-tax impairment charge in the amount of $60.5 million has been reflected in the income statement in accordance with the Group's accounting policy set out in Note 2(h). The associated tax credit of $22.3 million is reflected in Note 19. As at 31 December 2014, the fair value of the asset is estimated at $104.4 million based on a discount rate of 10% and an oil price reflecting the current three-year forward curve and $90 per barrel plus inflation of 2.5% thereafter.

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

16 FIXED ASSET INVESTMENTS

Principal Group investments

The Company and the Group had investments in the following subsidiary undertakings as at 31 December 2014 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 Vietnam Ltd	Cayman Islands	Vietnam	Oil and gas exploration and production	100

[1] SOCO Congo owns 100% of SOCO EPC 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 Upstream Congo SAL (Holding) (see Note 32).

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

17 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 is expected to be between one to two years from the date of this report, however the price of Daqing marker crude oil cannot accurately be predicted. 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 2014 the fair value was $45.0 million (2013 – $43.4 million) after accounting for the change in fair value (see Note 7).

18 OTHER RECEIVABLES

Other receivables comprise the Group`s share of contributions made into two abandonment security funds which were established to ensure that sufficient funds exist to meet future abandonment obligations on the TGT and CNV fields. The funds are operated by PetroVietnam and JOC partners retain the legal rights to the funds pending commencement of abandonment operations. As at 31 December 2014 the Group had contributed $24.6 million (2013 – $15.0 million) to the funds.

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 2013	95.1	18.2	113.3
Charge to income	67.1	3.8	70.9
As at 1 January 2014	**162.2**	**22.0**	**184.2**
Charge to income (see Note 11)	**12.9**	**3.1**	**16.0**
As at 31 December 2014	**175.1**	**25.1**	**200.2**

The charge to income is net of a deferred tax credit of $22.3 million that arises from the pre-tax impairment of the CNV producing asset of $60.5 million as discussed in Note 15.

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 $108.5 million (2013 – $99.3 million).

20 INVENTORIES

Inventories comprise crude oil and condensate.

21 OTHER FINANCIAL ASSETS

	Group		Company	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million
Amounts falling due within one year				
Trade receivables	**26.9**	57.3	**–**	–
Other receivables	**10.4**	6.4	**0.1**	0.2
Prepayments and accrued income	**2.3**	5.2	**0.5**	0.6
	39.6	68.9	**0.6**	0.8

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	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million
Trade payables	**8.5**	9.9	**–**	–
Other payables	**15.2**	8.6	**1.0**	0.1
Accruals and deferred income	**20.2**	17.6	**1.2**	1.6
	43.9	36.1	**2.2**	1.7

There is no material difference between the carrying value of trade payables and their fair value. The above financial liabilities are held at amortised cost and are not discounted as the impact would not be material.

23 LONG TERM PROVISIONS

Decommissioning

	Group	
	2014 $ million	2013 $ million
As at 1 January	**42.9**	42.7
New provisions and changes in estimates	**6.1**	(1.1)
Unwinding of discount (see Note 8)	**2.1**	1.3
As at 31 December	**51.1**	42.9

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 15-16 years) in the removal and decommissioning of the facilities currently in place.

24 SHARE CAPITAL

Ordinary Shares of £0.05 each

	2014 Shares	2013 Shares	**2014 $ million**	2013 $ million
Issued and fully paid	**341,076,911**	340,954,315	**27.6**	27.6

As at 31 December 2014, authorised share capital comprised 500 million (2013 – 500 million) ordinary shares of £0.05 each with a total nominal value of £25 million (2013 – £25 million). The Company issued 122,596 new ordinary shares during 2014 (2013 – nil) upon the exercise of certain share options (see Note 28).

24 SHARE CAPITAL CONTINUED

B Shares of £0.22 each

	2014 Shares	2013 Shares	2014 $ million	2013 $ million
As at 1 January	**–**	–	**–**	–
Issue of B shares	**107,078,451**	–	**38.4**	–
Redemption of B shares	**(107,078,451)**	–	**(38.4)**	–
As at 31 December	**–**	–	**–**	–

In September 2014, 107,078,451 redeemable B shares were issued, with a par value of £0.22 each resulting in a total of $38.4 million being credited to the B share capital account with $11.2 million charged to the share premium account and $27.2 million charged to merger reserve. The B shares had no voting rights and no right to participate in either the profits of the Company nor its surplus assets on winding-up.

On 10 October 2014, all of the B shares were redeemed at par value and cancelled, an amount of $38.4 million being deducted from the B share capital account.

B Shares of £0.40 each

	2014 Shares	2013 Shares	2014 $ million	2013 $ million
As at 1 January	**–**	–	**–**	–
Issue of B shares	**–**	94,984,376	**–**	61.9
Redemption of B shares	**–**	(94,984,376)	**–**	(61.9)
As at 31 December	**–**	–	**–**	–

In October 2013, 94,984,376 redeemable B shares were issued, with a par value of £0.40 each resulting in a total of $61.9 million being credited to the B share capital account and charged to the share premium account. The B shares had no voting rights and no right to participate in either the profits of the Company nor its surplus assets on winding-up.

On 3 October 2013, all of the B shares were redeemed at par value and cancelled, an amount of $61.9 million being deducted from the B share capital account.

C Shares of 0.0000001 pence each

	2014 Shares	2013 Shares	2014 $ million	2013 $ million
As at 1 January	**–**	–	**–**	–
Issue of C shares	**224,876,192**	236,847,671	**–**	–
Reclassification to deferred shares	**(224,876,192)**	(236,847,671)	**–**	–
As at 31 December	**–**	–	**–**	–

In September 2014, 224,876,192 non-redeemable C shares were issued (2013 – 236,847,671), with a par value of 0.0000001 pence each. The C shares had no voting rights and no right to participate in either the profits of the Company nor its surplus assets on winding-up.

On 10 October 2014 a dividend of £0.22 per C share (2013 – £0.40 per C share) was paid and all of the C shares automatically reclassified as deferred shares.

Deferred shares of 0.0000001 pence each

	2014 Shares	2013 Shares	2014 $ million	2013 $ million
As at 1 January	**236,847,671**	–	**–**	–
Re-classification of C shares to deferred shares	**224,876,192**	236,847,671	**–**	–
Deferred shares cancelled	**(236,847,671)**	–	**–**	–
As at 31 December	**224,876,192**	236,847,671	**–**	–

On 10 October 2014, 224,876,192 C shares (2013 – 236,847,671 C shares) were reclassified to non-redeemable deferred shares, with a par value of 0.0000001 pence each. The deferred shares have no voting rights and no right to participate in the profits of the Company. On winding-up or other return of capital, the holders of deferred shares have extremely limited rights.

On 30 June 2014, 236,847,671 C shares were cancelled.

25 OTHER RESERVES

Group

	Capital redemption reserve $ million	Merger reserve $ million	Own shares $ million	Share based payments $ million	Convertible bonds $ million	Total $ million
As at 1 January 2013	–	215.9	(53.8)	(56.8)	0.2	105.5
Issue and redemption of B shares	61.9	–	–	–	–	61.9
Share-based payments	–	–	–	1.4	–	1.4
Transfer relating to share-based payments	–	–	–	(0.7)	–	(0.7)
Transfer relating to share-based payments in prior years	–	–	–	58.3	–	58.3
Transfer relating to convertible bonds	–	–	–	–	(0.2)	(0.2)
Currency exchange translation differences	–	–	–	0.3	–	0.3
As at 1 January 2014	**61.9**	**215.9**	**(53.8)**	**2.5**	**–**	**226.5**
Issue and redemption of B shares	**38.4**	**(27.2)**	**–**	**–**	**–**	**11.2**
Share-based payments	**–**	**–**	**–**	**0.4**	**–**	**0.4**
Transfer relating to share-based payments (see Note 27)	**–**	**–**	**1.1**	**0.6**	**–**	**1.7**
Currency exchange translation differences	**–**	**–**	**–**	**(0.3)**	**–**	**(0.3)**
As at 31 December 2014	**100.3**	**188.7**	**(52.7)**	**3.2**	**–**	**239.5**

Company

	Capital redemption reserve $ million	Merger reserve $ million	Own shares $ million	Share based payments $ million	Total $ million
As at 1 January 2013	–	159.0	(40.3)	(57.9)	60.8
Issue and redemption of B shares	61.9	–	–	–	61.9
Share-based payments	–	–	–	1.4	1.4
Transfer relating to share-based payments	–	–	–	(0.7)	(0.7)
Transfers relating to share-based payments in prior years	–	–	–	59.7	59.7
As at 1 January 2014	**61.9**	**159.0**	**(40.3)**	**2.5**	**183.1**
Issue and redemption of B shares	**38.4**	**(27.2)**	**–**	**–**	**11.2**
Share-based payments	**–**	**–**	**–**	**0.4**	**0.4**
Transfer relating to share-based payments	**–**	**–**	**–**	**0.6**	**0.6**
Currency exchange translation differences	**–**	**–**	**–**	**(0.3)**	**(0.3)**
As at 31 December 2014	**100.3**	**131.8**	**(40.3)**	**3.2**	**195.0**

The Group's other reserves comprise reserves arising in respect of merger relief, upon the purchase of the Company's own Shares held in treasury and held by the Trust.

The number of treasury Shares held by the Group and the number of Shares held by the Trust at 31 December 2014 was 9,122,268 (2013 – 9,122,268) and 3,294,111 (2013 – 3,666,213), respectively. The market price of the Shares at 31 December 2014 was £3.034 (2013 – £3.952). The Trust, a discretionary trust, holds Shares for the purpose of satisfying employee share schemes, details of which are set out in Note 28 and in the Directors' Remuneration Report on pages 63 to 72. 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.

26 DISTRIBUTION TO SHAREHOLDERS

In October 2014, a return of value was made to all shareholders of the Company amounting to $119.2 million (£0.22 per share) in cash by way of a B/C share scheme (2013 – $213.3 million (£0.40 per share)), which gave shareholders (other than certain overseas shareholders) a choice between receiving cash in the form of income or in the form of capital. As part of the B/C share scheme, 107,078,451 B shares, with a par value of £0.22 per share (2013 – 94,984,376 B shares, with a par value of £0.40 per share), were allotted and subsequently redeemed at par value. A further 224,876,192 C shares, with a par value of £0.0000001 per share, were allotted on which a dividend of £0.22 per share was paid (2013 – 236,847,671 C shares alloted on which a £0.40 dividend per share was paid), the C shares were then automatically reclassified as deferred shares.

The B shares were issued charging $11.2 million to the share premium account and $27.2 million to merger reserve (2013 – $61.9 million to share premium account), the redemption of the B shares resulting in a transfer of $38.4 million (2013 – $61.9 million) to the capital redemption reserve. The C shares were issued out of merger reserve.

The Trust, which is consolidated within the Group, was allotted 3,294,111 B shares which were subsequently redeemed for $1.1 million (2013 – 3,666,213 B shares redeemed for $2.4 million).

27 RETAINED EARNINGS

	Group		
	Retained profit $ million	**Unrealised currency translation differences $ million**	**Total $ million**
As at 1 January 2013	974.3	(3.8)	970.5
Profit for the year	104.1	–	104.1
Distributions	(210.9)	–	(210.9)
Transfer relating to share-based payments	0.7	–	0.7
Transfer relating to share-based payments in prior years	(58.3)	–	(58.3)
Transfer relating to convertible bonds	0.2	–	0.2
Unrealised currency translation differences	–	9.3	9.3
As at 1 January 2014	**810.1**	**5.5**	**815.6**
Profit for the year	**14.0**	**–**	**14.0**
Distributions (see Note 26)	**(118.1)**	**–**	**(118.1)**
Transfer relating to share-based payments	**(1.7)**	**–**	**(1.7)**
Unrealised currency translation differences	**–**	**(1.8)**	**(1.8)**
As at 31 December 2014	**704.3**	**3.7**	**708.0**

	Company		
	Retained profit $ million	**Unrealised currency translation differences $ million**	**Total $ million**
As at 1 January 2013	731.7	(85.0)	646.7
Profit for the year	255.8	–	255.8
Distributions	(213.3)	–	(213.3)
Transfer relating to share-based payments	0.7	–	0.7
Transfers relating to share-based payments in prior years	(54.3)	–	(54.3)
Unrealised currency translation differences	–	27.8	27.8
As at 1 January 2014	**720.6**	**(57.2)**	**663.4**
Loss for the year (see Note 12)	**(21.9)**	**–**	**(21.9)**
Distributions (see Note 26)	**(119.2)**	**–**	**(119.2)**
Transfer relating to share-based payments	**(1.7)**	**–**	**(1.7)**
Unrealised currency translation differences	**–**	**(53.9)**	**(53.9)**
As at 31 December 2014	**577.8**	**(111.1)**	**466.7**

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 63 to 72. The Group recognised total expenses of $1.6 million (2013 – $1.4 million) in respect of the schemes during the year, a proportion of which was capitalised in accordance with the Group's accounting policies.

During 2014 and 2013, the Company made distributions to shareholders by utilising a B/C share scheme (see Note 26). As a result of those distributions, adjustments to the number of Ordinary Shares under option or award and the exercise price of those options have been made in accordance with the rules of the relevant share plan applicable to variations in share capital, and are reflected in the tables below.

Long Term Incentive Plan

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 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 ordinary shares (Shares). Awards exercised during 2014 over 456,844 Shares were partially satisfied by transferring 372,102 Shares held by the Trust. The remaining 84,742 awards exercised in 2014, being the number of Shares that might otherwise be sold in the market, were satisfied by cash settlement of the participants' tax liabilities of $0.6 million. The Board decided in that instance it was in the best interest of the Company to agree this settlement method with the participants. The Company has no legal or constructive obligation to repurchase or settle awards in cash. No awards were exercised in 2013. Details of awards outstanding during the year are as follows:

	2014 No. of share awards	2013 No. of share awards
As at 1 January	**2,694,618**	2,096,900
Adjustment on variation of share capital	**128,667**	215,062
Granted	**1,025,000**	618,000
Exercised	**(456,844)**	–
Lapsed	**–**	(235,344)
As at 31 December	**3,391,441**	2,694,618
Exercisable as at 31 December	**907,115**	456,844

Awards outstanding at the end of the year have a weighted average remaining contractual life of 1.7 (2013 – 1.9) years. The weighted average market price and estimated fair value of the 2014 grants (at grant date) were £2.49 and £0.72, 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 29% 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.

Other Share Schemes

The Company operates a Discretionary Share Option Scheme for employees of the Group. Awards vest over a three year period, and are normally forfeited if the employee leaves the Group before the option vests. Vested options are exercisable at a price equal to the average quoted market price of the Company's Shares on the date of grant and are expected to be equity-settled. The Company has no legal or constructive obligation to repurchase or settle options in cash. Unexercised options expire at the end of a 10-year period. Options outstanding include vested options granted under a predecessor plan that expired in April 2007 without prejudice to the subsisting rights of participants.

Other than to Directors, the Company can also grant options with a zero exercise price or with an exercise price which is set below the market price of the Company's shares on the date of grant. Such options, which are included in the table below, are granted by reference to the rules of the discretionary share option scheme and are expected to be equity-settled.

The Company can additonally grant awards under the Deferred Share Bonus Plan with a zero exercise price or with an exercise price which is set below the market price of the Company's shares on the date of grant. Awards vest over a two-year period, and are normally forfeited if the employee leaves the Group before the option vests. Such awards, which are also included in the table below, are expected to be equity-settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28 INCENTIVE PLANS CONTINUED

	2014		2013	
	No. of share awards	Weighted average exercise price £	No. of share awards	Weighted average exercise price £
As at 1 January	**1,070,582**	**1.20**	748,500	2.71
Adjustment on variation of share capital	**63,664**	**–**	99,582	–
Granted	**905,300**	**–**	222,500	2.41
Exercised	**(220,512)**	**0.66**	–	–
As at 31 December	**1,819,034**	**2.55**	1,070,582	2.45
Exercisable as at 31 December	**233,191**	**3.09**	441,024	2.17

The weighted average market price at the date of exercise during 2014 was £4.13. Awards outstanding at the end of the year have a weighted average remaining contractual life of 5.2 (2013 – 5.9) years.

29 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Group		Company	
	2014 $ million	2013 $ million	2014 $ million	2013 $ million
Operating profit (loss)	**152.6**	333.8	**(10.9)**	(11.4)
Share-based payments	**1.6**	1.4	**1.6**	1.4
Depletion and depreciation	**50.2**	44.8	**0.1**	0.2
Impairment of property, plant and equipment (see Note 15)	**60.5**	–	**–**	–
Exploration write-off (see Note 14)	**79.5**	92.0	**–**	–
Operating cash flows before movements in working capital	**344.4**	472.0	**(9.2)**	(9.8)
Decrease in inventories	**1.2**	3.8	**–**	–
Decrease (increase) in receivables	**32.1**	8.6	**(0.1)**	(0.2)
Increase (decrease) in payables	**4.3**	(9.1)	**2.4**	(3.8)
Cash generated by (used in) operations	**382.0**	475.3	**(6.9)**	(13.8)
Interest received	**0.7**	1.1	**0.1**	0.1
Interest paid	**(0.2)**	(1.2)	**–**	–
Income taxes paid	**(131.3)**	(160.8)	**–**	–
Net cash from (used in) operating activities	**251.2**	314.4	**(6.8)**	(13.7)

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.

30 OPERATING LEASE ARRANGEMENTS

	2014 $ million	2013 $ million
Minimum lease payments under operating leases recognised in income for the year	**29.6**	30.6

30 OPERATING LEASE ARRANGEMENTS CONTINUED

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:

	2014 $ million	2013 $ million
Within one year	**29.2**	29.6
In two to five years	**79.2**	106.5
	108.4	136.1

Operating lease payments mainly represent rentals payable by the Group for 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 2014 the Group had exploration licence commitments not accrued of approximately $47.4 million (2013 – $32.5 million).

32 RELATED PARTY TRANSACTIONS

During the year, the Company recorded a net credit of $1.4 million (2013 – net cost of $0.8 million) in respect of services rendered between Group companies. There were no balances outstanding with Group undertakings as at 31 December 2014 (2013 – nil). 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 63 to 72.

	2014 $ million	2013 $ million
Short term employee benefits	**3.6**	5.9
Post-employment benefits	**0.3**	0.3
Share-based payments	**1.6**	1.4
	5.5	7.6

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, USA. The lease, which was negotiated on an arm's length basis, has a fixed monthly rent of $1,000.

Under the terms of an acquisition approved by shareholders in 1999, the Company and its strategic Investor Group, including Quantic in which Mr Rui de Sousa has a 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 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 16. 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.

33 EVENTS AFTER THE BALANCE SHEET DATE

On 11 March 2015, the Board proposed a final dividend of 10 pence per ordinary share subject to approval by Shareholders at the Annual General Meeting to be held on 10 June 2015. This dividend has not been recognised as a liability for the 2014 financial year end.

FIVE YEAR SUMMARY (UNAUDITED)

Continuing operations only

	Year to 31 Dec 2014 $ million	Year to 31 Dec 2013 $ million	Year to 31 Dec 2012 $ million	Year to 31 Dec 2011 $ million	Year to 31 Dec 2010 $ million
Consolidated income statement					
Oil and gas revenues	**448.2**	608.1	621.6	234.1	48.4
Gross profit	**304.4**	439.0	460.5	166.3	35.6
Operating profit	**152.6**	333.8	448.2	156.9	29.1
Profit for the year	**14.0**	104.1	207.0	88.6	101.4

	2014 $ million	2013 $ million	2012 $ million	2011 $ million	2010 $ million
Consolidated balance sheet					
Non-current assets	**1,068.7**	1,075.4	1,058.4	1,027.3	874.7
Net current assets	**157.7**	232.5	274.2	187.6	253.6
Non-current liabilities	**(251.3)**	(227.1)	(156.0)	(116.8)	(115.1)
Net assets	**975.1**	1,080.8	1,176.6	1,098.1	1,013.2
Share capital	**27.6**	27.6	27.6	27.5	27.5
Share premium	**–**	11.1	73.0	72.7	72.6
Other reserves	**239.5**	226.5	105.5	140.8	149.2
Retained earnings	**708.0**	815.6	970.5	857.1	763.9
Total equity	**975.1**	1,080.8	1,176.6	1,098.1	1,013.2

	Year to 31 Dec 2014 $ million	Year to 31 Dec 2013 $ million	Year to 31 Dec 2012 $ million	Year to 31 Dec 2011 $ million	Year to 31 Dec 2010 $ million
Consolidated cash flow statement					
Net cash from operating activities	**251.2**	314.4	334.8	90.2	36.7
Capital expenditure	**162.5**	99.1	109.9	152.2	151.9
Distributions	**119.2**	213.3	–	–	–

ADDITIONAL INFORMATION

KEY PERFORMANCE INDICATORS (UNAUDITED)

SOCO uses a number of financial and non-financial KPIs against which it monitors its performance. Detailed KPI targets for the next year are set out in the annual budget. At each Board meeting these expectations are reviewed for progress against actual results and adjusted to accommodate changes in the operating environment including oil price fluctuations.

SOCO's KPIs are set out and discussed in the Chairman and Chief Executive's Statement on pages 6 to 11, the Review of Operations on pages 15 to 23, the Financial Review on pages 24 to 28 and the Corporate Social Responsibility Report on pages 34 to 45.

	Year ended 31 Dec 2014	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Financial key performance indicators			
Oil price realised ($/bbl)[1]	**102.91**	112.62	117.76
Oil and gas revenues ($ million)	**448.2**	608.1	621.6
Operating cost per barrel ($)[2]	**9.04**	8.06	8.83
DD&A per barrel ($)[3]	**10.12**	7.33	7.94
Gross profit ($ million)	**304.4**	439.0	460.5
Profit for the year ($ million)	**14.0**	104.1	207.0
Basic earnings per share (cents)	**4.3**	31.7	62.7
Cash, cash equivalents and liquid investments ($ million)	**166.4**	210.0	258.5
Net assets ($ million)	**975.1**	1,080.8	1,176.6
Net cash from operating activities ($ million)	**251.2**	314.4	334.8
Capital expenditure ($ million)	**162.5**	99.1	109.9
Distributions (pence per share)	**22.0**	40.0	–
Non-financial key performance indicators			
Total shareholder return (%)[4]	**(18.8)**	21.7	22.3
Production (barrels of oil equivalent per day)[5]	**13,605**	16,694	14,757
2P Reserves (see page 100)	**40.8**	130.1	128.5
2P Reserves + 2C Contingent Resources (see page 100)	**79.7**	130.1	128.5
Employee tenure (years)[6]	**8**	9	10
Employee turnover (%)[7]	**–**	–	–
Lost time injuries frequency rate[8]	**0.3**	–	–
Fatal accidents frequency rate[9, 15]	**–**	–	–
Emissions (million tonnes of CO_2 equivalent) (based on equity share)[10]	**0.11**	0.08	Negligible
Oil spills[11, 15]	**–**	–	–
Solid non-hazardous waste (tonnes)[12, 15]	**498.4**	–	–
Solid hazardous waste (tonnes)[13, 15]	**401.3**	–	–
HSE regulatory non-compliance[14, 15]	**–**	–	–

1 The realised oil price per barrel is the average proceeds received for each barrel of oil sold in the period.
2 Operating cost per barrel is the average cost incurred to produce a barrel of oil which excludes lifting imbalances and inventory effects.
3 DD&A per barrel includes DD&A costs for the period calculated over barrels of oil produced.
4 The total shareholder return is the percentage annual return to the Company's shareholders resulting from the share price movement and cash returned to shareholders.
5 Average barrels of oil equivalent produced per day net to the Group's working interest.
6 Average length of UK-based employee tenure.
7 Rate of UK-based employee resignations.
8 Number of LTIs per million man-hours on projects operated by SOCO or jointly operated companies.
9 Number of fatal accidents per hundred million man-hours on projects operated by SOCO or jointly operated companies.
10 Scope One and Two emissions from the Group`s operated and joint-operated projects on an equity share basis calculated pro-rata to its ownership interest.
11 Quantities greater than 100 litres.
12 Total non-hazardous waste requiring disposal, by gross project interest.
13 Total hazardous waste requiring disposal, by gross product interest.
14 HSE regulations and permit conditions applicable to country of operation.
15 New KPI introduced in 2014 and reported for 2014 only.

RESERVE STATISTICS (UNAUDITED)

Net working interest, mmboe

	TGT	CNV	Vietnam	Congo[4]	Group
Oil and Gas 2P Commercial Reserves[1, 2, 3]					
As at 1 January 2014	87.5	29.8	117.3	12.8	130.1
Production	(4.2)	(0.8)	(5.0)	–	(5.0)
2P Commercial Reserves as at 31 December 2014 (pre revision and re-classification)	**83.3**	**29.0**	**112.3**	**12.8**	**125.1**
Transfer to 2C Contingent Resources	(26.8)	(4.0)	(30.8)	(8.1)	(38.9)
Revision	(20.0)[5]	(20.7)	(40.7)	(4.7)	(45.4)
2P Commercial Reserves as at 31 December 2014	**36.5**	**4.3**	**40.8**	**–**	**40.8**
Oil and Gas 2C Contingent Resources[1, 2, 3]					
1 January 2014	–	–	–	–	–
Transfer from Commercial Reserves	26.8	4.0	30.8	8.1	38.9
2C Contingent Resources as at 31 December 2014	**26.8**	**4.0**	**30.8**	**8.1**	**38.9**
Total of 2P Reserves and 2C Contingent Resources as at 31 December 2014	**63.3**	**8.3**	**71.6**	**8.1**	**79.7**

1 Commercial Reserves and Contingent Resources are categorised in line with 2007 SPE/WPC/AAPG/SPEE Petroleum Resource Management System (SPE PRMS).

2 Commercial Reserves and Contingent Resources are internal management estimates based on operator data and the ERCE study of TGT field resources including the Geological and revised Dynamic Simulation model.

3 Assumes oil equivalent conversion factor of 6000 scf/boe.

4 Congo volumes are associated with the Viodo discovery. 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.

5 Based on the assessment of the range of STOIIP and the recovery factors in the Dynamic Simulation Model prepared by ERCE, additional volumes are being recognised as 3C Contingent Resources. This is described in detail in the Review of Operations.

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

COMPANY INFORMATION

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Company Secretary
Cynthia 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.

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GLOSSARY OF TERMS

$
United States Dollar

£
UK Pound Sterling

1C
Low estimate scenario of Contingent Resources

1P
Equivalent to Proved Reserves; denotes low estimate scenario of Reserves

2C
Best estimate scenario of Contingent Resources

2P
Equivalent to the sum of Proved plus Probable Reserves; denotes best estimate scenario of Reserves. Also referred to as 2P Commercial Reserves.

3C
High estimate scenario of Contingent Resources

3P
Equivalent to the sum of Proved plus Probable plus Possible Reserves; denotes high estimate scenario of Reserves

AGM
Annual General Meeting

AOGC
Africa Oil & Gas Corporation S.A.

API
American Petroleum Institute

ARTICLES
Articles of Association

BBL
Barrel

BHCPP
Bach Ho Central Processing Platform

BLPD
Barrels of liquids per day

BOE
Barrels of oil equivalent

BOEPD
Barrels of oil equivalent per day

BOPD
Barrels of oil per day

CAPEX
Capital expenditure

CDP
Carbon Disclosure Project

CLIFFORD CHANCE
Clifford Chance LLP

CNV
Ca Ngu Vang field

CNV-7P
Ca Ngu Vang 7P well

CONGO (BRAZZAVILLE)
Republic of Congo

CONTINGENT RESOURCES
Those quantities of petroleum to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies

CSR
Corporate Social Responsibility

DD&A
Depreciation, depletion and amortisation

DELOITTE
Deloitte LLP

DRC
Democratic Republic of Congo

DSBP
Deferred Share Bonus Plan

E&E
Exploration and Evaluation

ENI
ENI Angola

ERCE
ERC Equipoise

ESIA
Environmental and Social Impact Assessments

EU
European Union

FDP
Field Development Plan

FPSO
Floating, Production, Storage and Offloading Vessel

FRC
Financial Reporting Council

FSO
Floating, Storage and Offloading Vessel

G&A
General and administration

GHG
Greenhouse gas

GIIP
Gas initially in place

HLJOC
Hoang Long Joint Operating Company

HSES
Health, Safety, Environment and Social

HSES MS
Health, Safety, Environmental and Social Management System

HVJOC
Hoan Vu Joint Operating Company

IAS
International Accounting Standards

IFC
International Finance Corporation

IFRS
International Financial Reporting Standards

JOC
Joint Operating Company

JV
Joint Venture

KBOEPD
Thousand barrels of oil equivalent per day

KPI
Key Performance Indicators

LDKEM-1
Lideka East Marine-1 Well

LTI
Lost Time Injuries

LTIF
Lost Time Injury Frequency

LTIP
Long Term Incentive Plan

LXM-101
Lidongo X Marine 101 ST1 well

MMBBL
Million barrels

MMBO
Million barrels of oil

MMBOE
Million barrels of oil equivalent

MMSCFD
Million standard cubic feet of gas per day

MPS
Mer Profonde Sud

MXI
Marine XI

MXIV
Marine XIV

OPECO
OPECO Vietnam Limited

PARC
PA Resources Congo SA

PETROVIETNAM
Vietnam Oil and Gas Group

POSSIBLE RESERVES (P10)
Possible Reserves are those additional Reserves which are less likely to be recoverable than Probable Reserves

PP&E
Property, plant and equipment

PROBABLE RESERVES (P50)
Probable Reserves are those additional Reserves are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves

PROVED RESERVES (P90)
Proved Reserves are those quantities of petroleum which can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations

PSI
Pounds per square inch

PTTEP
PTT Exploration and Production Public Company Limited

RESERVES
Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial and remaining based on the development projects applied

SCF
Standard cubic feet

SHARES
Ordinary Shares

SNPC
Société Nationale des Pétroles du Congo

SOCO CABINDA
SOCO Cabinda Limited

SOCO CONGO
SOCO Congo Limited

SOCO CONGO BEX
SOCO Congo BEX Limited

SOCO DRC
SOCO DRC Limited

SOCO E&P DRC
SOCO Exploration and Production DRC Sprl

SOCO EPC
SOCO Exploration and Production Congo SA

SOCO VIETNAM
SOCO Vietnam Ltd

STOIIP
Stock Tank Oil Initially In Place

TGT
Te Giac Trang field

TGT H5
Te Giac Trang H5 Wellhead Platform

THE CODE
2012 UK Corporate Governance Code

THE TRUST
SOCO Employee Benefit Trust

TLJOC
Thang Long Joint Operating Company

TOR
Terms of Reference

TSR
Total Shareholder Return

UK
United Kingdom

US
United States of America

WHP
Wellhead Platform

WNR
World Natural Resources Congo S.A.U.

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