SOCO plc INTERNATIONAL

ANNUAL REPORT AND ACCOUNTS

2016

Contents

Strategic Report

Governance

Financial Statements

Additional Information

ABOUT THE STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2016 for the Group, which comprises pages 1 to 43 and includes:

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.

FULL COVER PICTURE: A MARKET SCENE IN VIETNAM
SOCO celebrates almost two decades in Vietnam. SOCO's investment has been a success story for both SOCO and Vietnam (see pages 6 to 9).

SOCO at a Glance

We are an oil and gas exploration and production company

Headquartered in London, we have exploration, development and production interests in Vietnam, and exploration and appraisal interests in the Republic of Congo and Angola. We employ a strategy for building shareholder value through a portfolio of oil and gas assets by focusing on:

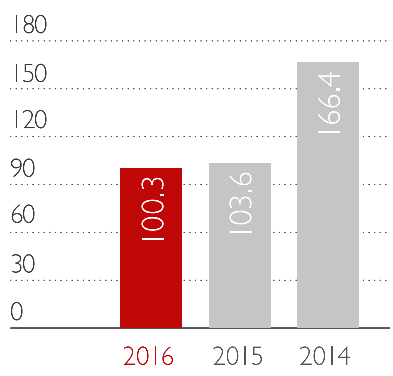
- RO Recognising Opportunity
- CP Capturing Potential
- RV Realising Value

This key is used throughout the Strategic Report.

FINANCIAL METRICS

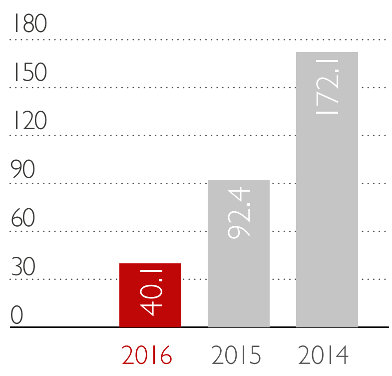
CASH AND CASH EQUIVALENTS, LIQUID ASSETS ($M)

RO CP



CAPITAL EXPENDITURE (CASH $M)*

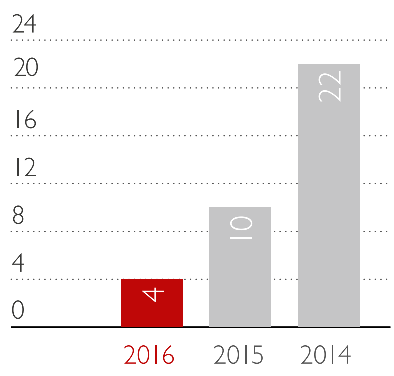
RO CP



* Includes abandonment funding

RETURNS TO SHAREHOLDERS (PENCE PER ORDINARY SHARE)

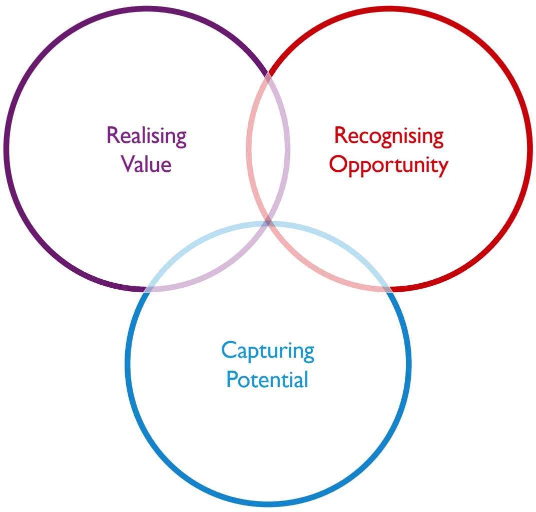
RV



SOCO at a Glance continued

OUR CORE STRATEGIC OBJECTIVES

Since our incorporation in 1997 we have applied our core strategic objectives to our projects, and they remain at the centre of our operations today.



What it means

RO 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

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

RV 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

OUR BUSINESS IN NUMBERS

QUALITY PRODUCING ASSETS

Block 16-1 (TGT) production
8,330 BOEPD

Block 9-2 (CNV) production
1,553 BOEPD

Low operating costs*
$11.70 BOE

Capital discipline
57% reduction in cash capital spend compared to 2015

OUR TRACK RECORD ON RETURNING VALUE TO SHAREHOLDERS

2016 cash return
$17.5 million

Total cash return inception to date
$455 million

Total shareholder return
202% since IPO

Dividend recommended on 2016 results
5p per share

*refer to page 114 for the calculation

OUR BUSINESS MODEL

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

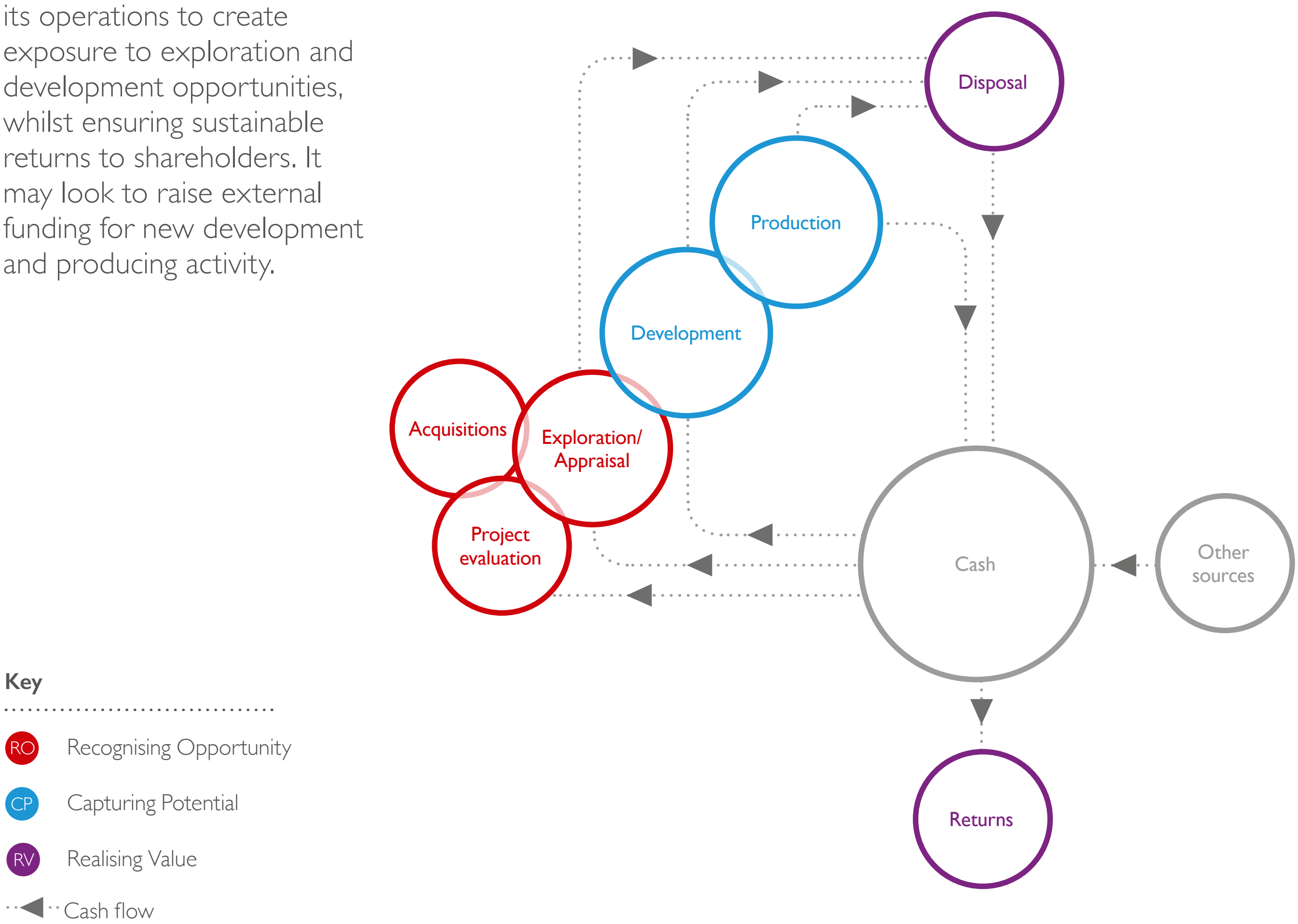
- Build large positions early on, before the play concept becomes too expensive.
- Increase portfolio value through the application of managerial and technical expertise. The SOCO corporate team, based in London, utilises a pool of specialist proven geoscientists, engineers, economists and financial experts 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 maximises 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.
- Volume hurdle rate for new country entry.
- Low risk inorganic acquisition opportunities.
- Organic exploration prospects.

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.

The Company utilises internal cash resources from its operations to create exposure to exploration and development opportunities, whilst ensuring sustainable returns to shareholders. It may look to raise external funding for new development and producing activity.



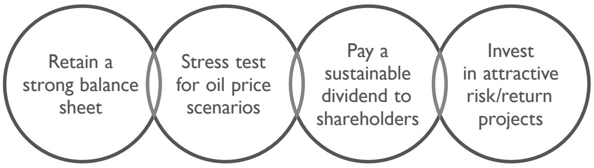
SOCO at a Glance continued

OUR TRACK RECORD OF DELIVERING VALUE

Dividend policy

The Company is committed to a strategy of targeting sustainable cash returns to its shareholders through its clearly defined and disciplined approach to capital.

APPROACH TO CAPITAL

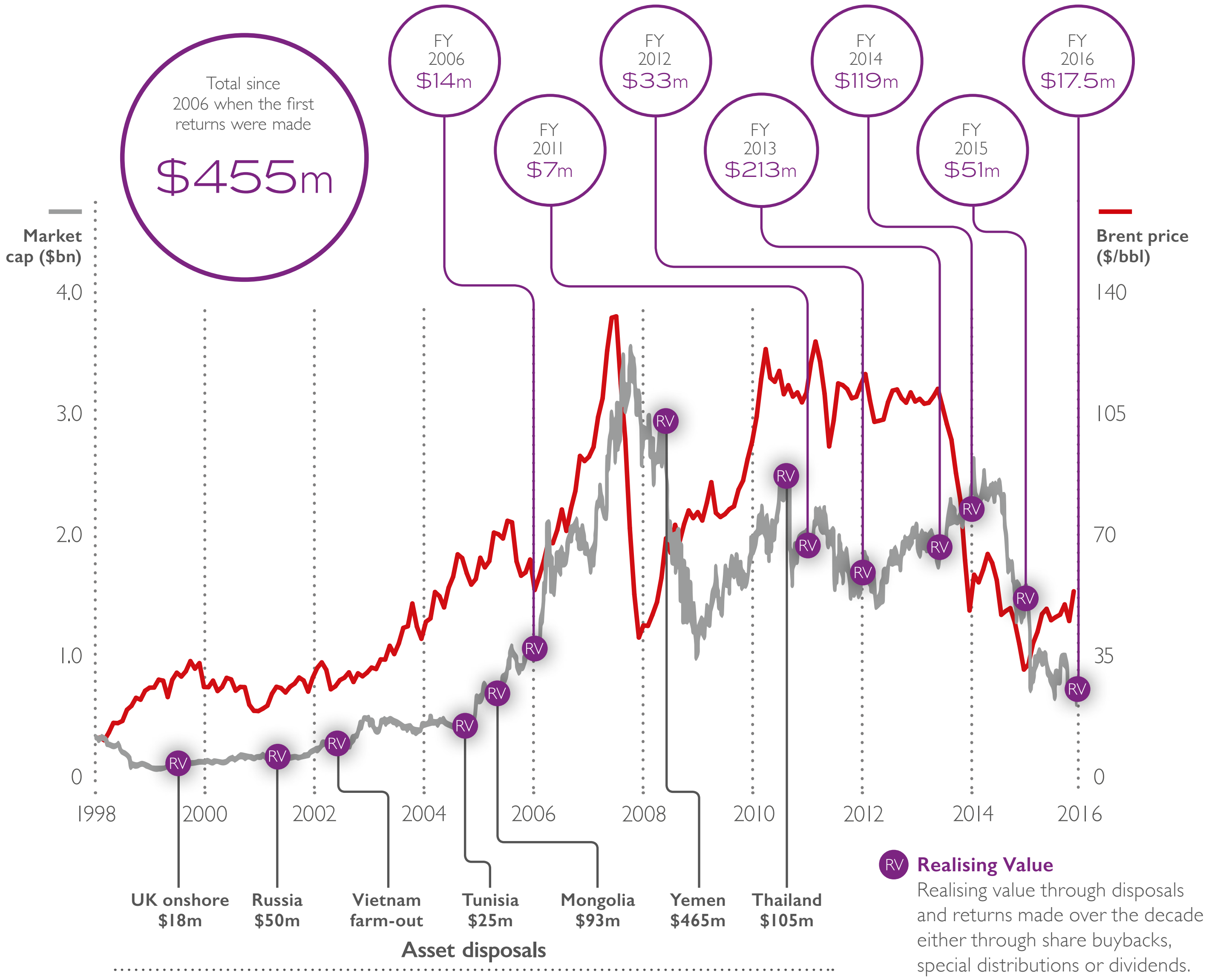


This prudent and rigorous approach to capital allocation has served the Company well, particularly in the face of the global industry downturn.

SOCO has a strong track record, having returned funds of $455m to its shareholders via share buybacks, capital returns and dividends.

In light of this capital allocation philosophy the Board is proposing to declare a dividend of 5 pence per Ordinary share.

The results of our policy of returning cash to shareholders



OUR BUSINESS AROUND THE WORLD

We have participated in projects in many parts of the world over the last 20 years, and our current portfolio focuses on two key regions.

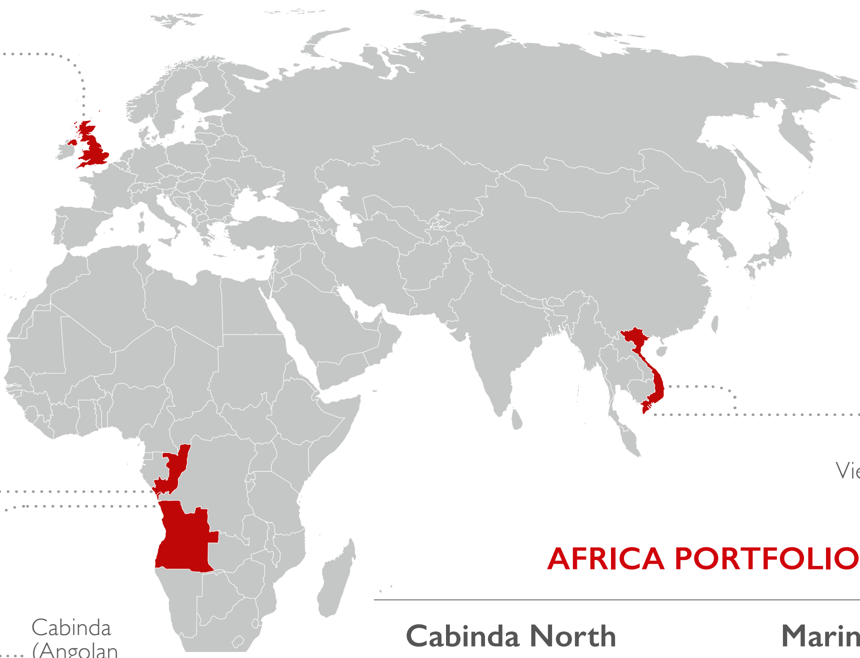
London headquarters

VIETNAM PORTFOLIO WITH NEW VENTURES

Block 16-1
SOCO interest
30.5%
SOCO Vietnam and OPECO Vietnam
Operated by Hoang Long Joint Operating Company

Block 9-2
SOCO interest
25%
SOCO Vietnam
Operated by Hoan Vu Joint Operating Company

Blocks 125 & 126
Production Sharing Contract ('PSC') awaiting signature
70%
SOCO Exploration (Vietnam)
Operator



AFRICA PORTFOLIO

Cabinda North
SOCO interest
17%
SOCO Cabinda
Operated by Sonangol P&P

Marine XI Block
SOCO interest
40.39%
SOCO Exploration & Production Congo
Operator

Special Feature – Our Vietnam Story

A success story for SOCO

THE TGT AND CNV FIELDS HAVE PRODUCED
NEARLY 100 MMBOE TO DATE

BLOCK 16-1

TE GIAC TRANG
(WHITE RHINO)

Ownership

30.5%

SOCO Vietnam
and OPECO Vietnam

OPERATIONAL PHASE
Field development/
production

OPERATOR
Hoang Long Joint
Operating Company

BLOCK 9-2

CA NGU VANG
(GOLDEN TUNA)

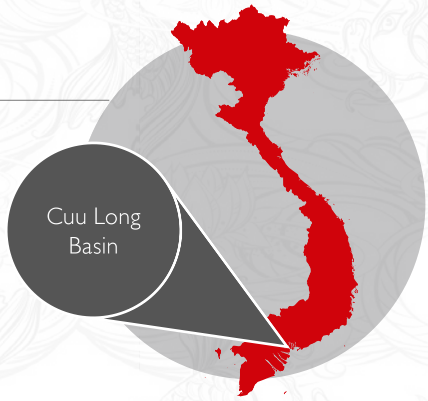
Ownership

25%

SOCO Vietnam

OPERATIONAL PHASE
Field development/
production

OPERATOR
Hoan Vu Joint
Operating Company



TE GIAC TRANG (WHITE RHINO)

The Te Giac Trang ('TGT') Field is situated in Block 16-1, offshore Vietnam in the shallow water Cuu Long Basin, approximately 80 kilometres from Vung Tau. Block 16-1 was awarded to SOCO in 1999.

The TGT Field was first discovered in 2005 by the TGT-1X well and was the first commercial discovery on Block 16-1. Production began in 2011 from the H1 Wellhead Platform ('WHP'). In 2012 the H4-WHP began producing, followed by the H5-WHP in 2015. To date, 47 wells have been drilled and more than 70 million barrels produced.

Oil from TGT is transported by a subsea pipeline to a nearby Floating Production Storage and Offloading ('FPSO') vessel where it is processed and then exported by tanker. Gas from TGT is processed at nearby facilities and transported by pipeline to shore to supply the Vietnamese domestic market.

CA NGU VANG (GOLDEN TUNA)

The Ca Ngu Vang ('CNV') Field is situated in Block 9-2, offshore Vietnam, in the shallow water Cuu Long Basin approximately 80 kilometres from Vung Tau. Block 9-2 was awarded to SOCO in 2000.

The CNV Field was first discovered in 2002 by the CNV-1X well. Production began in July 2008 with the first flow of crude oil and wet gas, signifying SOCO's first production from Vietnam.

The oil and gas produced from CNV are transported by a subsea pipeline to a nearby central processing platform where the oil and gas are separated. Gas is transported via pipeline to an onshore gas facility. The crude oil is held in a storage vessel prior to sale.

JOINT OPERATING COMPANIES

SOCO's long term partners have been PetroVietnam, the national oil company of Vietnam, and PTTEP, the national oil company of Thailand.

The partners jointly hold their interests in the TGT and CNV projects through non-profit joint operating companies ('JOCs').

- Hoan Vu JOC is the operator of CNV; and
- Hoang Long JOC is the operator of TGT.

The ownership of the JOCs is equivalent to the partner's respective interests in the Petroleum Contracts. Whilst the two JOCs are separate entities and are managed as distinct business units, the partners have taken advantage of the benefits of economies of scale by sharing certain facilities and, since 2006, certain management functions across the two projects.

SOCO OWNERSHIP

SOCO holds its interests through its wholly-owned subsidiaries:

- SOCO Vietnam Limited holds a 25% working interest in Block 9-2 and a 28.5% working interest in Block 16-1; and
- OPECO Vietnam Limited holds a 2% interest in Block 16-1.

SOCO has made a number of transactions since 1999 to arrive at its present holding interest, including acquiring OPECO Vietnam Limited in 2006. The most recent transaction in 2012 saw the SOCO group acquire SOCO Vietnam Limited's minority held shares to become its sole shareholder.

Our Vietnam Story continued

A success story for Vietnam

VIETNAM HAS EXPERIENCED VAST ECONOMIC DEVELOPMENT IN THE LAST 20 YEARS AND WE ARE PROUD TO BE PART OF THAT STORY

JOCs employ over
120
People from the local population

Over
$1BN
Invested

The TGT and CNV Fields have produced nearly
100M
Barrels of oil equivalent to date

Continually safe operating
ZERO
Lost-time injuries in over 20 million man-hours worked

$1 BILLION INVESTED

SOCO has been present in Vietnam for almost two decades and has invested over $1 billion into its oil and gas projects located offshore southern Vietnam, making SOCO one of the largest British investors in Vietnam.

SOCO's current producing interests are in two oil fields located offshore Vietnam in the oil rich Cuu Long Basin. Together, these comprise one of Vietnam's largest oil producers.

STRONG, LONG-TERM RELATIONSHIPS

SOCO's long-term partners have been:

- PetroVietnam, the national oil company of Vietnam, which holds 41% in Block 16-1 (TGT) and 50% in Block 9-2 (CNV); and
- PTTEP, the national oil company of Thailand, which holds 28.5% in Block 16-1 (TGT) and 25% in Block 9-2 (CNV).

SOCO'S INPUT INTO THE LOCAL ECONOMY

- Economic growth and industry development – TGT and CNV together comprise one of Vietnam's largest oil and gas producers.
- Industry growth through our strong commitment to local sourcing.
- Employment, training and industry upskilling – the operating companies currently have 123 Vietnamese nationals on staff. SOCO pays $50,000 per year as a training levy.
- Exchange of technical expertise through international geologists, geophysicists, reservoir engineers and petroleum engineers.
- Environmentally sensitive technologies which reduce the impact on the environment.

RESPONSIBLE OPERATIONS

- Continually safe operating in Vietnam.
- No occurrence of any environmental incident.
- High standards of ethical business conduct.
- Projects delivered on time and on budget.

SOCIAL INVESTMENT

The JOCs have invested in a wide range of community projects – public health, educational and environmental related projects, public facilities and community relations based programmes. Involvement has been both through the investment of funds and donations, and also through actively partnering with the local communities. The JOCs ensure that the voluntary social contributions go towards projects assessed to address the greatest needs as well as to bring the most long-term benefit.

Chairman and Chief Executive's Statement

Due to our disciplined approach to capital allocation, we have been able to deliver significant and sustainable value to shareholders.

RUI DE SOUSA
CHAIRMAN

ED STORY
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dear Shareholders

2017 marks the Company's 20th anniversary. During the intervening period, the industry has experienced the highest ever oil prices and one of the most significant oil price downturns, but throughout, because of our disciplined approach to capital allocation, we have been able to deliver significant and sustainable value to shareholders.

A BRIGHT FUTURE, BUILT ON A SOLID PAST

With only one small equity fundraising subsequent to the IPO, bringing total equity raised since inception to $231m, we have built shareholder value; returned over $455m through capital returns, share buybacks and dividends. We have achieved this by recognising opportunity, capturing potential and realising value.

Early on, we recognised the significant opportunity in then under explored Vietnam. By initially focusing on the under-regarded basement plays, we acquired two blocks, Blocks 16-1 and 9-2, offshore southern Vietnam at the turn of the millennium. With basement exploration yielding results in Block 9-2 with the discovery of the Ca Ngu Vang ('CNV') Field in 2002, emphasis on Block 16-1 changed to more conventional targets, delivering the discovery of the Te Giac Trang ('TGT') Field in 2005. Our investment in Vietnam has been significant, but unquestionably fruitful. TGT and CNV together now comprise one of Vietnam's largest producers, generating strong and stable revenues for SOCO and its partners throughout the commodity price cycle, aided by continued low operating costs.

Through a series of 13 separate transactions, the Company internally funded a significant development programme in Vietnam and pursued new exploration ventures, primarily in West Africa. Since TGT production came on stream in 2011, not only were we able to continue to fund internally our ongoing development and exploration efforts, we were also able to commence sustainable cash returns to shareholders.

The challenge that comes with oil prices being at extreme lows or extreme highs is to sustainably deliver on growth without exposure to high risk and high cost exploration. However, as oil prices have recently recovered to a fairly stable mid-price range, we see a window of opportunity to deliver the growth aspect of our strategy for building shareholder value. Towards this end, in early 2017, we added two former FTSE100 executives to co-head a newly formed business development function. Dr Mike Watts and Jann Brown have the experience, track record and industry knowledge to add the next leg of growth to our stable and high value producing assets.

2016 PERFORMANCE

SOCO's balance sheet remained robust throughout 2016 with zero debt, solid cash flow and low cash operating costs. The Company finished the year with no debt and over $100m in cash, cash equivalents and liquid investments after fully funding its operating and capital expenditure programme and returning $17.5m to shareholders through two cash dividends.

Overall net production was 9,883 BOEPD (2015: 11,976 BOEPD). Levels were slightly below the lower end guidance of 10,000 BOEPD due to a lack of development drilling for almost two years in TGT. This was primarily as a result of our joint venture government partners experiencing cash constraints, as well as unexpected additional production downtime due to pressure-testing on CNV, along with production stoppage to allow for rig positioning and down-well intervention work.

Capital expenditure in 2016, fully funded from existing cash resources, was $40.1m (2015: $92.4m), a significant reduction for the second year resulting from reduced or postponed spending on capital equipment that had little bottom line impact. Actual capital expenditure for Vietnam was below the $17m budgeted amount at just under $14m. This included long lead items for the anticipated resumption of TGT Field development drilling and new venture costs associated with Blocks 125 & 126. Capital expenditure for 2017 is for the infill drilling costs, costs associated with a water handling facilities upgrade following Full Field Development Plan ('FFDP') approval and costs to complete drilling activities on the TGT-14X appraisal well. Capital expenditure for Africa exploration operations was $26m, reflecting cost savings achieved on the Mer Profonde Sud commitment well, drilled offshore Congo (Brazzaville) in Q1 2016.

We seek to seize real opportunities as they arise, looking to optimise exposure to upside without jeopardising the Company's focus on sustainable cash flow generation

Net cash generated from operations fell to $46.0m in 2016, from $80.3m in 2015, reflecting lower oil prices and the decrease in production described above. An average crude oil sales price of $45 per bbl was realised during 2016, representing a premium of over $1 per bbl to Brent and generating revenues of $154.6m (2015: $214.8m), against low cash operating expenditure of $11.70 per bbl (2015: $10.06 per bbl). SOCO's full operating cost break-even oil price per bbl remains in the low $20s. The Group posted a loss of $18.3m (2015: $33.8m loss) in the period after taking account of taxation. There has been no impairment of our producing assets in the period (2015: nil).

In December 2016, SOCO received $10.0m as partial payment for the $52.7m Subsequent Payment Amount associated with SOCO's 2005 sale of its Mongolia assets. The full remaining unpaid amount of $42.7m was received in March 2017. Group year end 2016 commercial reserves were 33.3 MMboe (2015: 37.3 MMboe), down from year-end 2015 primarily due to yearly production.

OPERATIONS

VIETNAM

Operations on the TGT and CNV Fields in our core business area offshore Vietnam were centred on optimising production efficiency, and preparing for and beginning the next phase of development of the TGT Field aimed at halting the production decline resulting from almost two years without drilling activity on TGT, which remains not fully developed. The 2016 TGT development drilling programme commenced in the latter part of 2016 in advance of formal approval of the updated FFDP in February 2017, signalling a positive realignment amongst partners.

Production

Production averaged 9,883 BOEPD net to SOCO's working interest (2015: 11,976 BOEPD). SOCO's production guidance range for 2017 is affected by the additional shut-ins on TGT planned to accommodate rig moves, as well as the extended shut down for the installation, hook up and commissioning of the equipment for additional liquid handling capacity, and the floating, production, storage and offloading vessel ('FPSO') maintenance shut down. Thus, full year production guidance for 2017 is presently anticipated to average 8,000 to 9,000 BOEPD net to SOCO's working interest.

Block 16-1 – TGT Field Development Drilling and Optimisation

30.5% working interest; operated by Hoang Long JOC ('HLJOC')

Well intervention work carried out in 1H 2016 included perforations to six wells and a water shut off liner on one well. The impact of the interventions exceeded expectations by adding approximately 2,200 BOEPD to gross production.

The 2016 TGT Development Drilling Programme recommenced in Q4 2016. Drilling began with two infill wells, TGT-27PST1 and TGT-28P, 'batch drilled' on the H4-WHP. The HLJOC partners have agreed to add an additional infill well from the H1-WHP, which commenced on 8 March 2017. Following that a further infill well on the southern H5-WHP, followed by the TGT-14X well drilling into the H5 South fault block, are also planned to be drilled as part of the 2017 programme.

The first full draft of the updated FFDP underwent review by all the HLJOC partners during 1H 2016. SOCO utilised the review period to ensure that the FFDP development scenarios match the Company's performance objectives. The final draft of the updated FFDP was formally submitted to the relevant authorities during 2H 2016. Approval was received during Q1 2017.

Block 9-2 – CNV Field

25% working interest; operated by Hoan Vu JOC ('HVJOC')

Discussions with the Bach Ho owners are ongoing to establish the most effective means of enhancing performance through modifications at the reception terminal.

AFRICA EXPLORATION

Marine XI Block, offshore Congo (Brazzaville)

40.39% working interest; operated

The Marine XI partners secured the 20-year permit for the area around the Lidongo discovery well in September 2016. The partners will consider submitting three additional PEX applications over Lideka East, Viodo and Loubana prior to the end of the Marine XI Exploration Licence.

Chairman and Chief Executive's Statement continued

Mer Profonde Sud ('MPS') Block, offshore Congo (Brazzaville)

The Baobab Marine-1 commitment well spudded on 5 February 2016, but was plugged and abandoned after no hydrocarbons were encountered. All parties agreed to relinquish the MPS Block at the licence expiry date of 31 May 2016.

Cabinda North Block, onshore Cabinda, Angola

17% working interest; non-operated

During 2016, discussions continued amongst the partners and with the authorities to agree the new partnership, operator and activities during the licence extension period to April 2018. The legal documents to complete the changes are now being circulated among the parties for formal approval.

NEW VENTURES

Negotiations are near conclusion for a 70% interest in a Production Sharing Contract ('PSC') over two blocks, Blocks 125 & 126, in the Phu Khanh Basin offshore central Vietnam. The PSC amongst SOCO, Sovico Holdings Company and PetroVietnam is expected to be executed during 1H 2017.

The Company actively reviewed acquisition opportunities throughout 2016 and is continuing this initiative through 2017 with a newly launched business development group.

CORPORATE

Non-Executive Directors

During the year, John Norton and Robert Cathery, retired from the Board at the June Annual General Meeting ('AGM'), after announcing in March 2016 that they would not seek reappointment by shareholders. Marianne Daryabegui stood down from the Board at the expiry of her initial contract in October due to her employer limiting its employees' participation as non-executive directors. In January 2017, Mike Watts stood down to co-head Business Development for the Group. Rob Gray, the Board's Senior Independent Director, has replaced Mike Watts as Chairman of the Audit & Risk Committee.

Corporate governance remains a priority and the Company remains committed to its programme of Board refreshment. The Directors will continue to review the balance and effectiveness of the Board with a view to adding independent non-executives commensurate with our size and need.

Dividend recommendation

The Board proposes a final dividend for the year ended 31 December 2016 of 5 pence per share which will be recommended for shareholder approval at the AGM to be held in June of this year.

SOCO remains committed to the strategy of value creation for shareholders including through sustainable cash returns and growth of the ongoing business. SOCO's capital strategy includes retaining a strong balance sheet under all reasonable oil price scenarios and maintaining flexibility to invest organically and inorganically in attractive risk/return profile projects.

The Company's consistently successful management of its asset and capital base has enabled it to return over $450m to shareholders over the last eight years via dividends, capital returns and share buybacks, and through the difficult market economy of 2016, to deliver a fully funded capital expenditure programme and two, 2 pence cash dividends. SOCO continues to generate solid cash flow, closing the year with over $100m of cash and no debt.

OUTLOOK

In recent years, significant differentiators have developed between the Company and its sector peers:

- Balance sheet strength, no debt and steady cash flows.
- Low operating costs and attractive production economics.
- Sustainable cash returns to shareholders.

In 2017, our focus will be three-fold:

1) Continuing our disciplined approach to capital allocation;

2) Arresting the decline of our major producing asset, the TGT Field; and

3) Growing the portfolio of assets.

We seek to seize real opportunities as they arise, looking to optimise exposure to upside without jeopardising the Company's focus on sustainable cash flow generation. The launch of the new Business Development group has added impetus to these efforts.

In the coming months, we expect to announce a new PSC over two blocks, offshore Vietnam, adding to our existing strong presence in the region. For our production assets in Vietnam, development drilling and infrastructure upgrade on TGT remains a priority. Production guidance for 2017 is maintained at 8,000 to 9,000 BOEPD for the full year. Efforts to maximise value from our Africa exploration portfolio will remain a prominent feature in 2017.

Although we do not foresee a return to either the recently experienced low oil price environment or the extremely high oil prices of past years, we remain confident that, regardless of the macro environment, our strategy will deliver substantial and sustainable value to shareholders, as has already been demonstrated in the past.

Rui de Sousa
Chairman

Ed Story
President and Chief Executive Officer

Measuring Our Performance

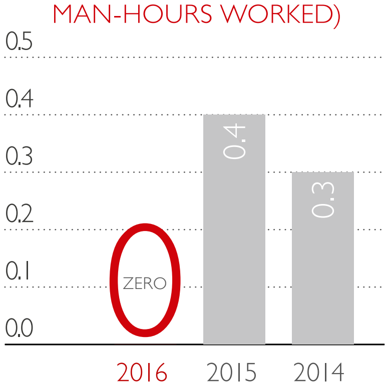
The Key Performance Indicators ('KPIs') used to monitor our progress in delivering on our stategies are both financial and non-financial. The use of financial and non-financial metrics facilitates better management of long-term performance and delivering on our sustainable responsible business plans. These metrics are kept under periodic review and regularly tested for relevance against our strategies and policies.

We continue our focus on streamlining operating costs, maintaining a strong cash balance and creating value for shareholders. Despite the challenging conditions faced by the industry in 2016, we have continued to deliver on a number of key metrics.

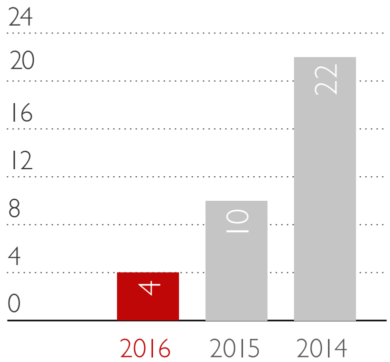
See pages 41 and 43 for other KPIs and for our full list and their definitions please see pages 113 and 114.

KEY PERFORMANCE INDICATORS

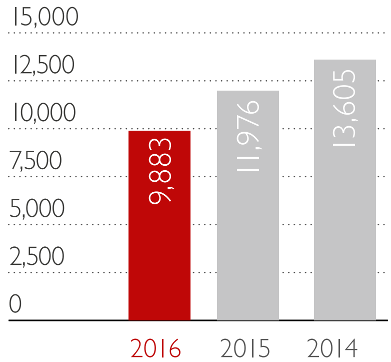
LOST TIME INJURY FREQUENCY ('LTIF') (PER MILLION MAN-HOURS WORKED)



RETURNS TO SHAREHOLDERS (PENCE PER ORDINARY SHARE)



NET PRODUCTION (BOEPD)



OBJECTIVE

SOCO's key safety target is zero LTIF

Sustainable cash returns to shareholders

Maximise production from SOCO's core business area in Vietnam

2016 PERFORMANCE

CP

Zero LTIF in the year

RV

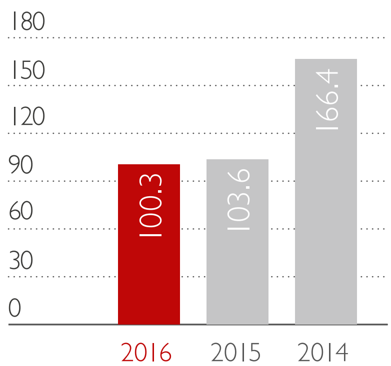
Despite the global industry downturn, SOCO's business model has delivered sustainable cash returns to shareholders and during the year paid two dividend tranches totalling 4 pence per Ordinary Share

CP

TGT development drilling recommenced in November 2016

Key RO Recognising Opportunity CP Capturing Potential RV Realising Value

CASH AND CASH EQUIVALENTS, LIQUID ASSETS ($M)

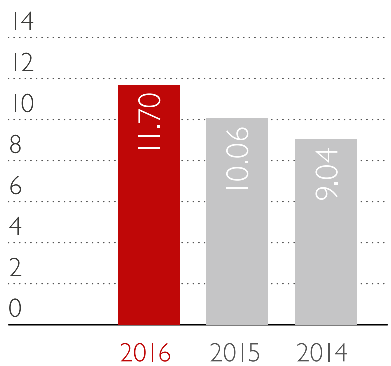


Maintain financial strength through a strong cash balance, ensuring we meet obligations as they become due, invest in the future of the business and maintain our commitment to return cash to shareholders

RO CP RV

The Group was able to conserve its liquid cash balances whilst also returning cash to shareholders

LOW CASH OPERATING COST ($/BOE)



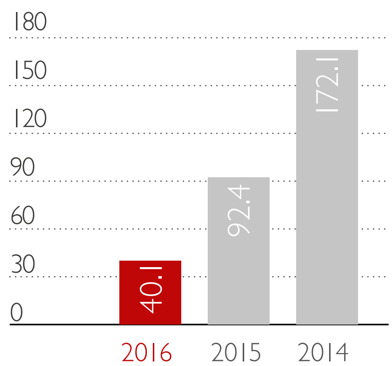
*refer to page 114 for the calculation

Minimise underlying operating costs

CP

Whilst the cash cost per barrel has increased, as a function of the reduced production spread over substantial fixed costs, the total underlying costs have reduced by 3.9%

CAPITAL EXPENDITURE (CASH $M)*



*includes abandonment funding

Manage the capital risk to ensure we have sufficient liquid resources to deliver on our stategies

RO CP

Our disciplined approach to capital allocation led to a 57% decrease in cash spend from 2015

Review of Operations

SOCO's 2016 operations focused on improving production efficiency and field development at Blocks 16-1 and 9-2 in Vietnam, as well as maximising value from our Africa exploration portfolio.

ANTONY MARIS
CHIEF OPERATING OFFICER

Operations in 2016 centred on optimising production efficiency on Te Giac Trang ('TGT') and Ca Ngu Vang ('CNV') Fields in our core business area, offshore southern Vietnam. The TGT Field, which was discovered in 2005 and achieved first oil in 2011, is producing from three platforms with 30 producing wells and one injector well drilled in the field. The next phase of development of the TGT Field commenced in the latter part of 2016 and in advance of formal approval of the updated Full Field Development Plan ('FFDP') in February 2017, signalling a positive realignment amongst partners and a halt to the production decline resulting from almost two years of no drilling. Group production was 9,883 BOEPD (2015: 11,976 BOEPD) net to SOCO's working interest.

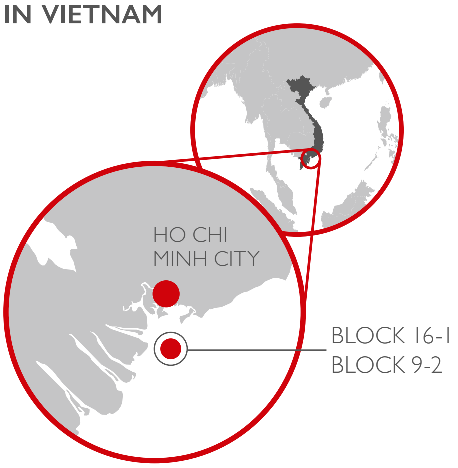
New venture final negotiations over two blocks, Blocks 125 & 126, offshore Vietnam, should secure a 70% interest in the new Production Sharing Contract ('PSC'). Signing of the PSC is expected to occur during 1H 2017.

In Africa, activity concentrated on commercialisation discussions for the Lidongo discovery area and the interpretation of the reprocessed 3D seismic data on the Marine XI Block, offshore Congo (Brazzaville). Efforts to maximise value from our Africa exploration portfolio were a prominent feature in 2016 and will continue to be so in 2017.

VIETNAM

In Vietnam, Blocks 16-1 and 9-2, which comprise the TGT and CNV Fields, respectively, 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 through non-profit joint operating companies 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 Limited and OPECO Vietnam Limited. SOCO's partners in both Blocks are PetroVietnam Exploration and Production, a subsidiary of the national oil company of Vietnam, and PTTEP, the national oil company of Thailand.

OUR LOCATIONS IN VIETNAM



BLOCK 16-1

LOCATION
Cuu Long Basin, offshore Vietnam

OPERATIONAL PHASE
Field development/production

OPERATOR
Hoang Long JOC

2016 production
8,330
BOEPD

BLOCK 9-2

LOCATION
Cuu Long Basin, offshore Vietnam

OPERATIONAL PHASE
Field development/production

OPERATOR
Hoan Vu JOC

2016 production
1,553
BOEPD

PRODUCTION

SOCO's production interests are the TGT and CNV Fields. Gross production averaged 33,861 BOEPD – 9,883 BOEPD net to SOCO's working interest (2015: 41,029 and 11,976, respectively). Overall net production of 9,883 BOEPD was slightly below the lower end guidance of 10,000 BOEPD due to the delay in development drilling, unexpected additional downtime due to pressure-testing on CNV, along with the recent stoppage for rig positioning and down-well intervention work beyond that originally planned for extra wireline and other types of intervention work.

TGT production averaged 27,650 BOEPD gross – 8,330 BOEPD net to SOCO's working interest in 2016 (2015: 34,032 BOEPD gross and 10,227 BOEPD, respectively). CNV production averaged 6,211 BOEPD gross – 1,553 BOEPD net to SOCO's working interest in 2016 (2015: 6,997 BOEPD gross and 1,749 BOEPD, respectively).

SOCO's production guidance range for 2017 is affected by the additional shut-ins (equivalent to up to approximately 25–30 days in total) on TGT planned to accommodate rig moves, as well as the extended shut down for the installation, hook up and commissioning of the equipment for additional liquid handling capacity, and the floating, production, storage and offloading vessel ('FPSO') scheduled maintenance shut down. This is significantly higher than occurred in 2016 and, as such, impacts on the expected total average production for the year. Thus, full year production guidance for 2017 is presently anticipated to average 8,000 to 9,000 BOEPD.

The average realised crude oil price for 2016 was approximately $45 per bbl, a premium to Brent of over $1 per bbl.

BLOCK 16-1 – TGT FIELD

30.5% working interest; operated by Hoang Long JOC ('HLJOC')

The TGT Field is located in the north eastern part of Block 16-1 offshore Vietnam and is operated by HLJOC. SOCO's interest in the Block was awarded in December 1999 and the first commercial discovery was made in 2005.

TGT is a simple structure, with complex production intervals, extending over 16 km and with hydrocarbons located in at least five major fault blocks. The producing reservoir comprises a complex series of over 80 modelled clastic reservoir intervals of Miocene and Oligocene age. Each reservoir interval requires individual reservoir management to optimise field recovery. The TGT Field has been a rewarding investment for SOCO with its attractive economics and cost recovery terms, along with low operating costs, and a benign operating and geopolitical backdrop.

The first platform, H1-WHP, came on stream in August 2011, followed by the H4-WHP in July 2012. Crude oil from TGT is transported via subsea pipeline to a FPSO where it is processed, stored and exported by tankers to regional oil refineries. Gas produced from the Field is transported by pipeline to the nearby Bach Ho facilities for processing and onward transportation to shore by pipeline to supply the Vietnamese domestic market.

OIL AND GAS PRODUCTION BY FIELD

FIGURES IN BOEPD	**FY 2016**	FY 2015
TGT Production	**8,330**	10,227
Oil	**7,825**	9,397
Gas[1]	**505**	830
CNV Production	**1,553**	1,749
Oil	**1,076**	1,204
Gas[1]	**477**	545
Total Production	**9,883**	11,976
Oil	**8,901**	10,601
Gas[1]	**982**	1,375

[1] Assumes oil equivalent conversion factor of 6,000 standard cubic feet per barrel of oil equivalent.

Review of Operations continued

TGT – Ongoing field development

After the third TGT platform, H5-WHP, was successfully brought onstream on 10 August 2015, activities for 2016 focussed on optimising production efficiency from existing wells, formalising the updated FFDP and advancing towards the start of the next phase of development.

Early in Q1 2016, the HLJOC partners agreed to purchase long lead items for four wells plus items to complete the TGT-14X step out well. The drilling programme commenced in November 2016, in advance of formal approval of the updated FFDP in February 2017, signalling a positive realignment amongst partners with regards to managing this key resource. The infill wells, the TGT-27PST1 and TGT-28P, were 'batch drilled'. The first well was spudded on 6 November 2016 by the PetroVietnam Drilling PVD-6 jack-up rig on the H4-Well Head Platform ('WHP') in the central area of the TGT Field. Both wells encountered hydrocarbons throughout both the Miocene and Oligocene reservoir horizons. Following the execution of the initial perforation programme, preparations for production logging performance assessment are being made.

The TGT partners have agreed to add a further two infill wells in 2017, one from the southern H5-WHP and one from the H1-WHP, following the delivery of long lead items. The first, TGT-30P, an additional infill well from the H1-WHP, commenced on 8 March 2017. Following that a further infill well on the southern H5-WHP, and the TGT-14X well into the H5 South fault block, will also be drilled.

TGT – Full Field Development Plan ('FFDP')

HLJOC's updated TGT Reserve Assessment Report ('RAR'), which included a subsurface review by the HLJOC partners, was formally presented to the Vietnam authorities during Q1 2016 with final approval received on 1 April 2016. Based on the RAR approval and the reworking carried out on the TGT Geological Model and the Dynamic Simulation Mode during 2015, the HLJOC commenced running prediction cases for inclusion in the FFDP during Q2 2016.

The first full draft of the updated FFDP underwent a review by the HLJOC partners, which progressed throughout Q2 and Q3 2016. SOCO utilised the review period to ensure that the FFDP development scenarios matched the Company's performance objectives.

The updated FFDP was formally submitted to the relevant authorities in Q4 2016 and received approval in February 2017. The approval covers up to 18 additional wells, with locations and additional support to be provided at a later date, and the addition of new processing equipment to be installed on the H1-WHP in 2017. The processing equipment will be designed to handle an additional 90,000 barrels of liquid per day ('BLPD') with specific water handling capacity of up to 65,000 barrels of water per day. The increase in the total system handling capacity to approximately 180,000 BLPD allows for higher levels of oil production at the same or higher water cut rate than previously possible.

TGT – Production and optimisation

A priority focus of 2016 activity on TGT, in parallel with advancing towards further development, was increasing production from existing wells by perforating additional horizons, optimising reservoir management by shutting off higher water-cut wells and introducing infill wells.

Well intervention work was carried out during 1H 2016, which included perforations to six wells and a water shut off liner on one well. The results of the interventions exceeded expectation by adding approximately 2,200 BOEPD to gross production. As part of the regular evaluation programme, production logging on a selection of wells was completed in Q2 2016 which will be used to prepare the next batch of proposals for additional perforations and/or water shut-offs.

TGT – Performance evaluation and prediction

Following the original 2014 building of the Geological Model and the Dynamic Simulation Model and the update in 2015, SOCO retained ERC Equipoise to update both the Geological Model and the Dynamic Simulation Model of the TGT Field with the new wells from 2015 and the additional production history. This work involved a re-evaluation of the fundamental input geoscience data, integration of the results from all the wells and encompassed a major effort from a multi-disciplinary team. This activity highlights the significant complexity and technical uncertainty of the field with further addition of complexity to the previous models.

The reworked Dynamic Model has been history matched against the field production data to date and then a series of forecasts run to evaluate the ultimate oil volume recoverable given various levels of development drilling and pressure maintenance under various FPSO and alternative liquid handling options. This work demonstrated a significant range of potential further development scenarios depending on the level of development drilling, infrastructure optimisation and upgrade, as well as reservoir performance management to optimise field recovery. The output from the model has been reviewed by the reserve auditor and used to focus on the development programme choices required for the updated FFDP.

2016 capital expenditure and development drilling

Actual capital expenditure for Vietnam was below the $17m budgeted amount at $14m. This included costs for the purchase of long lead items for the ongoing TGT field development drilling and the recommencement of drilling, in addition to preliminary engineering costs associated with water handling facilities upgrade and new venture costs associated with Blocks 125 & 126. Capital expenditure for the additional processing equipment included in the updated FFDP is currently estimated at $25m gross.

Forward plans

The TGT partners have agreed to add a further two infill wells in 2017, one from the southern H5-WHP and one from the H1-WHP and to complete the TGT-14X well into the H5 South fault block as part of the programme. Commitment to the engineering design, construction and installation of additional fluid handling facilities had been made in advance of the updated FFDP approval, and the equipment remains on course for installation in Q3 2017.

Operations in 2016 centred on optimising production efficiency on the TGT and CNV Fields in offshore southern Vietnam

Evaluating how production from TGT could be increased from the existing well stock by perforating additional horizons and optimising reservoir management by shutting off higher water-cut wells remains a key part of the programme. Evaluation of the results of the new infill wells will provide input to the selection of the future infill well locations in 2018 and beyond. At the same time, evaluation of small investment, late field life acceleration projects are also being considered.

For 2017, no firm production target has been agreed between the HLJOC partners pending agreement on the updated FFDP, as well as receipt of optimised 2016 production scenarios from the HLJOC utilising full reservoir potential from existing wells.

BLOCK 9-2 – CNV FIELD

25% working interest; operated by Hoan Vu JOC ('HVJOC')

The CNV Field is located in the western part of Block 9-2, offshore southern Vietnam and is operated by the HVJOC. In contrast to the geology of TGT, the CNV Field reservoir is fractured granitic basement which produces highly volatile oil with a high gas to oil ratio. Exploitation is dependent on the fracture interconnectivity to deplete the reservoir efficiently. Accordingly, traditional reservoir properties and Stock Tank Oil Initially In Place ('STOIIP') calculations are not straightforward. Hydrocarbons produced from CNV are transported via subsea pipeline to the Bach Ho Central Processing Platform ('BHCPP') where wet gas is separated from oil and transported via pipeline to an offshore gas facility for further distribution. The crude oil is stored on a floating, storage and offloading vessel prior to sale. On the BHCPP, dedicated test separation and metering facilities have been installed.

CNV – production and optimisation

The CNV Field has performed steadily throughout the year. CNV production averaged 6,211 BOEPD gross and 1,553 BOEPD net to SOCO's working interest in 2016 (2015: 6,997 BOEPD gross and 1,749 BOEPD, respectively).

Optimisation considerations to maximise the long-term performance and recovery of the field include a number of scenarios which continue to be evaluated. In 2016, it was agreed to convert the CNV-6PST1 injection well to a producer and modify the processing facilities on the BHCPP to lower the minimum tubing head pressure. This would take advantage of the movement from bottom-up 'water-based' pressure maintenance to using the liberated gas in the reservoir as the 'top-down' reservoir drive mechanism. The liberated gas would displace the oil from the upper parts of the reservoir and acts as a pressure drive from above.

The HVJOC partners approved the conversion of the CNV-6PST1 and the engineering design work for the modification of the BHCPP during 2016. During the execution of the well conversion, a wireline was left in the completion. Following further evaluation, it was decided that the required wireline recovery and remedial work would be performed during Q2 2017 to establish if the full conversion can be completed without further work. The detailed engineering studies of additional technical options for increasing production through modifications to the BHCPP are ongoing and were presented to the HVJOC partners in Q3 2016. Discussions with the owner of the BHCPP are underway to establish the most effective and cost effective solution.

VIETNAM NEW VENTURES

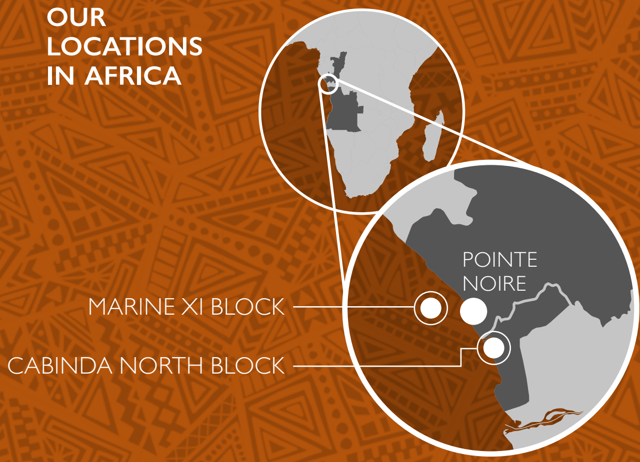
Detailed negotiations for the PSC over Blocks 125 & 126 began in May 2016 following the signing of a Memorandum of Understanding in July 2015 and agreement of the main terms. Negotiations of the final points are expected to conclude in Q1 2017 with SOCO securing a 70% operated interest over the two blocks. Signing of the PSC between SOCO, Sovico Holdings Company and PetroVietnam is expected to take place during 1H 2017.

Blocks 125 & 126 are in moderate to deep waters in the Phu Khanh Basin, north of the Cuu Long Basin, and have multiple structural and stratigraphic plays observed on the available 2D seismic data. Interpretation of the available data indicates there is good potential for source, expulsion and migration of oil with numerous reservoir and seal intervals likely.

About our Africa Interests

Activities concentrated on commercialisation discussions for the Lidongo discovery area and the interpretation of the reprocessed 3D seismic data on the Marine XI Block, offshore Congo (Brazzaville).

OUR LOCATIONS IN AFRICA



MARINE XI BLOCK

SOCO interest	Operator
40.39%	SOCO EXPLORATION & PRODUCTION CONGO

CABINDA NORTH BLOCK

SOCO interest	Operator
17%	SONANGOL P&P

REPUBLIC OF CONGO (BRAZZAVILLE)

SOCO holds its interests in the Marine XI Block, located offshore Congo (Brazzaville) in the shallow water Lower Congo Basin, through an 85% owned subsidiary, SOCO Exploration & Production Congo. SOCO previously held a 60% working interest in the Mer Profonde Sud Block, offshore Congo (Brazzaville) through its wholly owned subsidiary, SOCO Congo BEX Limited.

MARINE XI BLOCK
OFFSHORE CONGO (BRAZZAVILLE)

40.39% working interest; SOCO-operated

Marine XI activity during the year concentrated on commercialisation discussions for the Lidongo discovery area and the interpretation of the reprocessed 3D seismic data. In 2H 2016, SOCO secured the 20-year Lidongo Permit, after the Production and Exploitation Licence ('PEX') application for the area around the Lidongo well was submitted to the Congo (Brazzaville) authorities and approved in September 2016. The Lidongo Permit commenced in October 2016. Discussions with the authorities to improve its commercial terms were positively concluded in Q1 2017, with finalisation of the precise terms nearing completion. Discussions with the authorities together with the Marine XII partners on commercialisation of the Lidongo area continue.

Following completion of reprocessing and remapping of 3D seismic data during 2016, three further areas within the Marine XI Block were identified for further interest. The Marine XI partners will submit three PEX applications over Lideka East, Viodo and Loubana prior to the end of the Marine XI Exploration Licence.

MER PROFONDE SUD ('MPS') BLOCK
OFFSHORE CONGO (BRAZZAVILLE)

The Baobab Marine-1 commitment well spudded on the RR Prospect on 5 February 2016. The well reached total measured depth of 3,275 metres on 25 February and intersected the stacked early Miocene channel complexes that were targeted. Although good quality sands were present, no hydrocarbons were encountered, suggesting lack of communication with the known oil source. The well was subsequently plugged and abandoned.

SOCO's operatorship of the MPS Block was acquired under a 2013 farm-in agreement committing to drill one exploration well in the remaining licence period, which was extended to 31 May 2016. The drilling programme was executed under budget and with no lost time injuries. The technical data has been delivered to the Ministry of Hydrocarbons in accordance with the contract. All parties agreed to relinquish the MPS Block at the expiration date of 31 May 2016. Final financial and legal reviews are being performed by the authorities to allow for the formal signoff.

ANGOLA

CABINDA NORTH BLOCK

17% working interest; non-operated

SOCO's 85% owned subsidiary, SOCO Cabinda Limited, holds a 17% participation interest in the Production Sharing Agreement for the Cabinda North Block, onshore the Angolan Cabinda enclave. Discussions are ongoing among the partners and with the authorities to agree the new partnership, operator and activities during the licence extension period to April 2018. The legal documents to complete the changes are now being circulated among the parties for formal approval.

Review of Operations continued

GROUP RESERVES AND CONTINGENT RESOURCES

An independent audit of management estimates of Reserves and Contingent Resources for TGT and CNV, as of 31 December 2016, was completed by Gaffney, Cline and Associates ('GCA') in March 2017.

TGT RESERVES AND CONTINGENT RESOURCES

The year end 2016 TGT estimated reserves were based on the scope of the wells already approved to be drilled in 2016–2017, with consideration given to a small number of likely near-term wells, optimal field management and increased liquid handling capacity at the H1-WHP. The year end 2016 TGT estimated reserves do not take into account the fully approved programme in the updated FFDP. This conservative approach will be reviewed following the interpretation and incorporation of the results of the 2016–2017 infill drilling programme into the static and dynamic models. All volumes beyond the scope outlined above were 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 revised ERCE Dynamic Simulation Model and the current field performance and reflect the degree of uncertainty around the oil-in-place estimates.

The initial ERCE static and dynamic models, developed in 2013–2014, have been updated and matched with the additional production from the field. Production from TGT in 2016 has been slightly below expectation due to the delay in drilling postponed to the end of the year, rig positioning and down-well intervention work beyond that originally planned for extra wireline and intervention work. The under-performance of the H5 platform wells that came on stream in August 2015 has also led to a reduction in the estimates of STOIIP in the H5 Block, but the change to overall field STOIIP estimates is not material. With the approved updated FFDP which includes a significant upgrade to the fluid processing capacity of the H1 platform, and the commencement of drilling campaign earlier than was anticipated in estimating the reserves, after subtracting production during 2016, there is only a minor revision to the reserves compared to year-end 2015.

TGT FIELD OIL-IN-PLACE ESTIMATES

Figures in MMbbl	P90	P50	P10
Stock tank	376	585	880

TGT FIELD ESTIMATED ULTIMATE RECOVERY INCEPTION TO YEAR END 2016

Figures in MMboe			
Reserves + Production[3]	**1P**	**2P**	**3P**
Oil	115.6	152.7	185.5
Gas[1]	6.8	8.8	12.0
Total	**122.4**	**161.5**	**197.5**
Contingent Resources	**1C**	**2C**	**3C**
Oil	15.0	33.0	95.0
Gas[1]	1.0	1.9	8.1
Total	**16.0**	**34.9**	**103.1**
Total Ultimate Recovery[2]	**1P & 1C**	**2P & 2C**	**3P & 3C**
Oil	130.6	185.7	280.5
Gas[1]	7.8	10.7	20.1
Total	**138.4**	**196.4**	**300.6**

[1] Assumes oil equivalent conversion factor of 6,000 standard cubic feet per barrel of oil equivalent.
[2] This table has been derived by SOCO from the audited figures.
[3] Following the identification of allocation calculation errors, there has been adjustments to the prior years oil and gas production for TGT. There has been a decrease in allocated gas production and a small increase in allocated oil production.

SOCO WORKING INTEREST RESERVES AND RESOURCES TGT FIELD AT 31 DECEMBER 2016

Figures in MMboe			
Reserves	**1P**	**2P**	**3P**
Oil	14.2	25.4	35.3
Gas[1]	0.8	1.4	2.3
Total	**15.0**	**26.8**	**37.6**
Contingent Resources	**1C**	**2C**	**3C**
Oil	4.5	9.4	26.5
Gas[1]	0.3	0.6	2.3
Total	**4.8**	**10.0**	**28.8**
Sum of Reserves and Contingent Resources[2]	**1P & 1C**	**2P & 2C**	**3P & 3C**
Oil	18.7	34.8	61.8
Gas[1]	1.1	2.0	4.6
Total	**19.8**	**36.8**	**66.4**

[1] Assumes oil equivalent conversion factor of 6,000 standard cubic feet per barrel of oil equivalent.
[2] The summation of reserves and Contingent Resources has been prepared by the Company.

CNV RESERVES AND CONTINGENT RESOURCES

Re-evaluation of the field performance dynamics has led to the HVJOC Partners ceasing water injection and agreeing to convert the CNV-6P-ST1 injection well to production. This will change the drive mechanism from 'bottom-up' water drive to 'top-down' gas drive, as due to the volatile nature of the oil, gas will be liberated in the well bore. This gas will rise to the crest of the reservoir, expanding and therefore displacing oil into the wells. Extensive simulation has demonstrated the benefit of this approach. Volumes associated with the CNV-7P and a future well is included in Contingent Resources.

VIODO RESERVES AND CONTINGENT RESOURCES

There are no plans for commercial standalone development of the Viodo Field in the Marine XI Block at this time. However, there remains potential to recognise additional Contingent Resources on the Marine XI Block from Lideka East, and from the Lidongo Discovery as it is progressed towards unitisation with the nearby Litchendjili Field which has commenced production.

SOCO WORKING INTEREST RESERVES AND CONTINGENT RESOURCES CNV FIELD AT 31 DECEMBER 2016

Figures in MMboe

Reserves	**1P**	**2P**	**3P**
Oil	3.5	4.8	6.0
Gas[1]	1.3	1.7	2.2
Total	**4.8**	**6.5**	**8.2**
Contingent Resources[2,3]	**1C**	**2C**	**3C**
Oil	-	1.7	1.9
Gas[1]	-	1.2	1.4
Total	**-**	**2.9**	**3.3**
Sum of Reserves and Contingent Resources[4]	**1P & 1C**	**2P & 2C**	**3P & 3C**
Oil	3.5	6.5	7.9
Gas[1]	1.3	2.9	3.6
Total	**4.8**	**9.4**	**11.5**

[1] Assumes oil equivalent conversion factor of 6,000 standard cubic feet per barrel of oil equivalent.
[2] 3C Contingent Resources are unaudited and reflect Management's estimates.
[3] At the beginning of March 2017, SOCO was informed by its reserves auditor, Gaffney, Cline & Associates ('GCA'), that it had identified a calculation error in GCA's estimation of 2C Contingent Resources for the CNV Field for year end 31 December 2015. The impact of this error is to reduce SOCO's year end 2015 CNV 2C Contingent Resources from 9.0 MMboe to 2.3 MMboe. This calculation error has been checked and has resulted in a restatement in the CNV Contingent Resources for year end 2015.
[4] The summation of reserves and Contingent Resources has been prepared by the Company.

SOCO WORKING INTEREST CONTINGENT RESOURCES VIODO FIELD AT 31 DECEMBER 2016

Figures in MMbbl

Contingent Resources	**2C**
Oil	8.1
Gas	-
Total	**8.1**

The range of Reserves and Contingent Resources volumes continue to capture management's view of the full potential of the TGT Field

Financial Review

In this low oil price environment, SOCO is uniquely positioned with strong cash generating assets, no debt on the balance sheet and a robust liquid cash balance. The Company believes it is positioned for growth and to take advantage of new opportunities.

ROGER CAGLE
DEPUTY CEO AND
CHIEF FINANCIAL OFFICER

OUR PERFORMANCE

STRATEGIC FOCUS

Since the Company's inception two decades ago, SOCO has been committed to its strategy of building shareholder value through its oil and gas portfolio, focusing on Recognising Opportunity, Capturing Potential and Realising Value. This consistent approach has stood us in good stead particularly over the past few years where our industry has been through a prolonged downturn.

In this low oil price environment, SOCO is uniquely positioned with strong cash generating assets, no debt on the balance sheet and a robust liquid cash balance. The Company believes it is positioned for growth and to take advantage of new opportunities. We continued to produce strong cash flow from our operations in Vietnam of $85.6m (2015: $142.3m).

During 2016, SOCO received $10.0m against the financial asset, associated with the 2005 sale of its Mongolia interests, which left $42.7m owing at the balance sheet date. Subsequent to year end, the full and final payment of $42.7m has been received.

The Company has continued its quest throughout 2016 to bring M&A projects to closure in order to strengthen and diversify the portfolio. Whilst these efforts to date have not come to fruition, we are still active on a number of the opportunities and expect to report something in the near term. In this regard in February 2017, the Company bolstered its pursuit of growth and rationalisation of our portfolio, with Mike Watts and Jann Brown, former FTSE100 directors, brought on to spearhead business development efforts.

Our pursuit of growth opportunities will only be conducted within the context of our long standing core strategy of building value for shareholders.

OPERATING PERFORMANCE

Given the tough macro environment, the Company delivered robust revenue in 2016 of $154.6m (2015: $214.8m). This 28% decrease year on year is the result of lower average realised crude oil prices of $45.01 per bbl compared with $54.10 per bbl in 2015 and a decrease in production levels. By the beginning of 2017, there were positive signs of recovery as international oil prices, which started 2016 in the $36 per bbl range, finished over 50% higher at $55 per bbl and development drilling on TGT in Vietnam, aimed at addressing the declining production, had recommenced in November 2016.

Underlying operating cash costs (see page 114) remain low at $42.3m (2015: $44.0m) although on a per barrel basis there has been an increase from $10.06 per bbl to $11.70 per bbl, the rise being purely a function of the reduced volumes over a relatively fixed cost base.

In the pursuit to widen the portfolio and secure other high quality assets, the Company has incurred one off M&A expenditure of $3.9m, being $1.7m in third party consultants and $2.2m attributed to internal staff time.

General and administrative expenses of $13.5m includes the $3.9m spent on M&A activity, leaving $9.6m charged to the income statement (2015: $10.0m). Savings were achieved on the exit of the Mer Profonde Sud ('MPS') licence in Africa with reduced costs of drilling the commitment well and thus the release of $1.1m back to the income statement.

CASH FLOW

Cash flow of $46.0m (2015: $80.3m) from operating activities mainly comprises cash flow from the Group's continuing operations in Vietnam. The decrease year on year is largely due to the lower contribution from the reduction in oil price combined with a reduction in volumes.

Capital cash expenditure

Total capital cash expenditure including abandonment for the year was $40.1m being 57% down on the prior year of $92.4m as the Company continued to manage the capital risk. Included was $20.8m relating to the MPS commitment well in Africa with the remaining cash capital spend relating to recommencement of the drilling campaign on TGT in Vietnam, funding abandonment commitments and proving up areas of interest on the Marine XI licence in Congo (Brazzaville) as well as progressing negotiations on a new partnership group on Cabinda North in Angola.

Taxation

The tax expense during the year reduced 43%, from $42.0m for 2015 to $24.0m in the current year. This decrease reflects the lower oil price environment taking effect on the lower profit for the year. The Group's effective tax rate approximates to the statutory tax rate in Vietnam of 50% after excluding the effect of non-deductible expenditure of $16.4m (2015: $19.5m), tax losses not recognised of $5.1m (2015: $3.8m) and a write back of exploration costs of $0.6m (2015: $18.2m charge). The non-deductible expenditure mainly comprises DD&A charges for items previously capitalised, including SOCO corporate costs during the development of projects and licence signature bonuses, which along with current year SOCO corporate costs, are non-deductible for Vietnamese tax purposes.

Tax strategy and total tax contribution

Tax is managed proactively and responsibly to ensure the Company is compliant in the countries in which it holds interests. Tax planning undertaken is commercially driven, rather than tax motivated and operations are within the spirit as well as the letter of the law. This approach forms an integral part of SOCO's sustainable business model.

In conjunction with the Company's Code of Business Conduct & Ethics, core values of honesty, trust, fairness, respect and responsibility are fundamental to the objective to build open, cooperative and constructive relationships with tax authorities and governmental bodies in the territories in which SOCO operates. The Company supports greater transparency in tax reporting to build stakeholder trust.

During 2016, the total tax contribution amounted to $214.1m, 97% of which was contributed to the Vietnam producing licence areas. The breakdown of the contribution is shown in Figure A.

BALANCE SHEET

Intangible assets increased during the period by $6.7m (2015: $2.4m), which represents $1.3m of costs associated with negotiating the agreements for the Vietnam Blocks 125 & 126, $3.6m expenditure on the Congo (Brazzaville) asset as the Group attempted to prove up areas of interest from the Marine XI licence and $1.8m in negotiations with partners and the authorities to agree a new partnership group on Cabinda North in Angola.

Property, plant and equipment was down $69.9m (2015: $29.5m) in line with additional capital spend of $10.1m offset by $80.0m DD&A charges. There are no impairments to Group assets.

Strong cash and cash equivalents including liquid investments balances were $100.3m (2015: $103.6m).

The subsequent payment amount of $42.7m (2015: $52.7m) for the 2005 sale of the Mongolia interests continued to be held at 31 December 2016 as a financial asset. Subsequent to year end, this has now been settled in full.

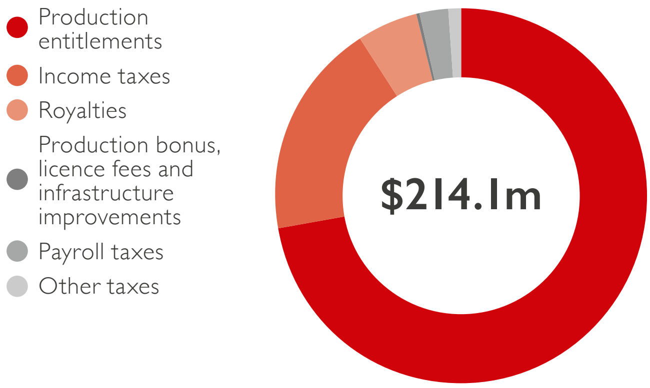
Trade and other receivables increased from $19.5m at the end of 2015 to $24.7m largely reflecting the increase in crude prices.

Trade and other payables have decreased from $37.2m at the end of 2015 to $22.4m, reflecting in part the unwinding of the $22.5m provision that was made for the MPS licence obligation in 2015.

DELIVERING SHAREHOLDER RETURNS

In delivering on its commitment to build shareholder value, the Company paid during the year two tranches of dividends to shareholders totalling 4 pence per Ordinary Share (2015: 10 pence), which amounted to $17.5m (2015: $51.1m). The Company's dividend policy and historical performance in creating value for shareholders can be seen on page 4.

FIGURE A: BREAKDOWN OF TAXES PAID IN 2016



The Directors are recommending a final dividend of 5 pence per Ordinary Share, subject to approval at the Annual General Meeting on 13 June 2017.

OWN SHARES

The SOCO Employee Benefit Trust holds ordinary shares of the Company for the purposes of satisfying long term incentive awards for senior management. At the end of 2016, the Trust held 2,299,767 (2015: 2,773,095) Shares, representing 0.67% (2015: 0.81%) of the issued share capital (refer to Note 28 to the Financial Statements).

In addition, as at 31 December 2016, the Company held 9,122,268 (2015: 9,122,268) treasury shares, representing 2.67% (2015: 2.67%) of the issued share capital (refer to Note 28 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 1 to 43. 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 pages 46 to 49.

Risk Management Report

Long term shareholder value is dependent on the success of the Group's activities, which are to search for, evaluate and develop oil and gas resources whether this be via organic or inorganic growth. 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.

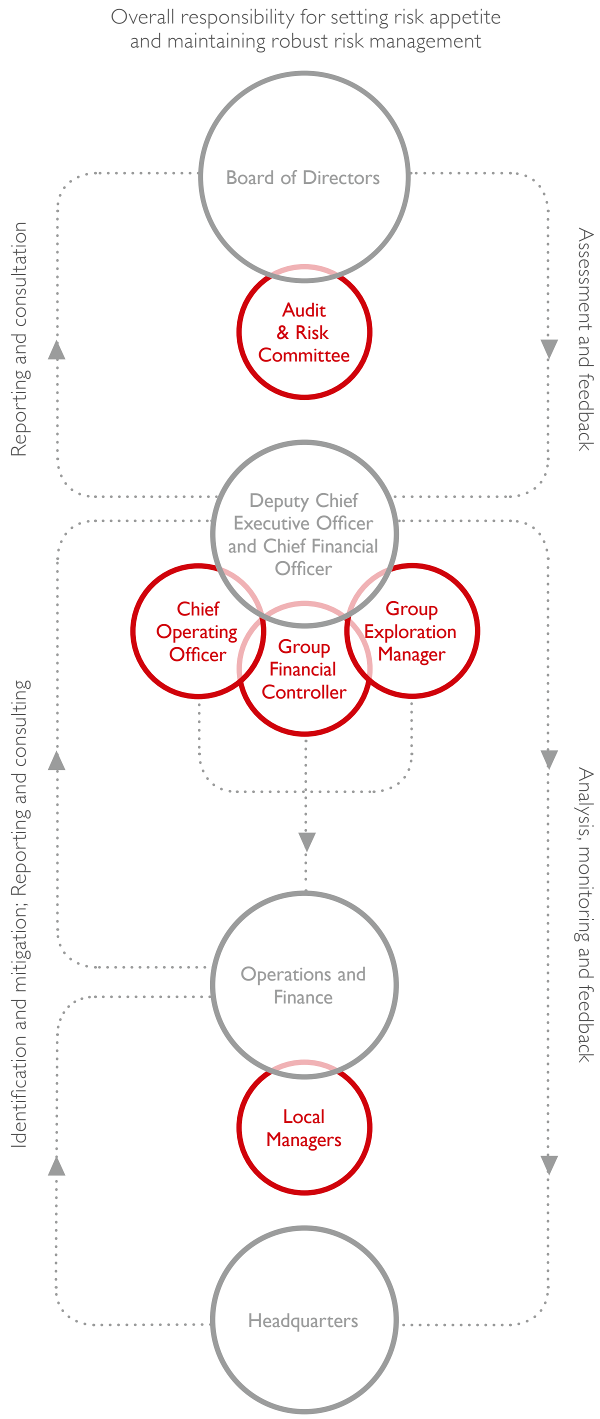
Consequently, SOCO has a formal process in place to identify and mitigate risks applicable to its upstream oil and gas business. The Directors have ultimate responsibility for risk management with the Audit & Risk Committee providing detailed oversight. The Board has designated the Deputy Chief Executive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

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 & Risk Committee meeting. Annually, the Audit & 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 financial 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 pages 50 to 61 and in the Audit & Risk Committee Report on pages 62 to 64 where the significant issues related to the 2016 Financial Statements are also reported. The SOCO Health, Safety, Environmental and Social Responsibility ('HSES') Management System ('MS') which comprises the Company's internal controls mechanisms of policies, procedures and guidelines through which it assesses, manages and mitigates its HSES risks and impacts, is described more fully in the Corporate Social Responsibility ('CSR') Report on pages 32 to 43.

A summary of the key risks affecting SOCO and how these risks are mitigated to enable the Company to achieve its strategic objectives is as follows.

OUR RISK MANAGEMENT PROCESS



PR Principal Risks

PR HEALTH, SAFETY, ENVIRONMENTAL AND SOCIAL RISKS

- The Group operates in an industry sector with high risk operating conditions and HSES risks. These risks include major equipment and materials failures, which could potentially harm the workforce, the public and/or the environment. Additionally, it operates in regions where there is a greater risk of economic or social instability and where local attitudes to risk differ compared with nations with more established or developed economies. Accordingly, the Group may be exposed to specific risks in relation to social and environmental factors as well as health and safety matters, including security.

MITIGATION

- SOCO aims to mitigate such risks by implementing the SOCO HSES MS on all SOCO-operated projects. The SOCO HSES MS facilitates best practice international standards, which exceed national requirements in some countries. Further details of how SOCO addresses these risks can be found in the CSR Report on pages 32 to 43.

PR COMMODITY PRICE RISK

- Crude oil and gas prices are impacted by a complex supply and demand matrix including global and regional supply, potential supply growth from unconventional sources, the global economy, refining capacity and initiatives to reduce carbon intensity. The rate of development of emerging economies, world population, geopolitical uncertainty, geopolitical developments, producing nation alliances and technical advances, are all factors in this complex supply and demand curve. Additionally, impacts arise from availability and cost of infrastructure, alternative energy sources, regulation, production levels, market speculation regarding future supply and demand, weather conditions and natural or other disasters, and many other significant and evolving underlying factors. Exposure to fluctuations in crude oil prices may lead to reduced cash flows, impairment of assets or assets stranded due to locked in losses in longer term contracts. The sustained lower oil price has significantly impacted the industry as a whole.

MITIGATION

- 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. 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. The budget and various sensitivity cases, applying expert analysis and price forecasting, are regularly tested for downside scenarios and provide comfort that SOCO are able to meet its commitments. No price hedging mechanisms were in place during the year. During periods when the Group sees an opportunity to lock in attractive oil prices, it may engage in limited price hedging.

PR EMPOWERMENT RISK

- The Group's international portfolio comprises oil and gas ventures in widespread, often remote locations with government and industry partners. The 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.

PR LIQUIDITY AND CREDIT RISK

- The Group has continued to carry sizable cash balances throughout the year and has a non-current receivable in respect of two accumulating abandonment funds in Vietnam, which limits its exposure to liquidity risk but increases its exposure to credit risk.

MITIGATION

- To mitigate these risks and protect the Group's financial position, cash balances are generally invested in short term, non-equity instruments or liquidity funds, not generally exceeding three months forward. Investments are generally confined to money market or fixed term deposits in major financial institutions. The Group seeks to minimise credit risk by 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 Company 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.

Risk Management Report continued

PR Principal Risks

PR CAPITAL RISK MANAGEMENT

- The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity balances.

MITIGATION

- The Group seeks to maintain a sizable free cash balance to fund its operations and shareholder distribution policy. There is regular reporting to the Board. Farm-out opportunities are considered where deemed appropriate to reduce exposure. There is daily reporting on cash balances and forecasts are regularly prepared to monitor cash requirements. Discretionary expenditures are reviewed for potential deferral and cost reduction programmes are in place. Sensitivity cases are monitored on an ongoing basis as funds are spent and forecasts are updated to determine the amount and timing of any additional financing required. The Group maintains relationships and active dialogue with various financial institutions and may consider raising debt or equity finance at the appropriate time.

PR RESERVES RISK

- As discussed in Note 4b to the Financial Statements, the Group uses standard recognised evaluation techniques to estimate its proven and probable oil and gas reserves. Such techniques have inherent uncertainties in their application. SOCO 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 provisions.
- Portfolio management through exploration, appraisal or acquisition may fail to yield reserves in commercial quantities sufficient to replace production. Commercial reserves must be technically and economically recoverable and are subject to risks associated with technical success, future commodity price and future capital and operating cost profiles. Changes in these factors may result in reserves being stranded due to premature writedowns, reduced valuations or conversion to liabilities.

MITIGATION

- Reserve estimates are reviewed regularly by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal and third-party engineers.
- The Group continues to evaluate projects in existing and potentially new areas of interest. The Group is focused on pursuing business development and growth opportunities deemed appropriate and commercial when applying the most current information on underlying trends and factors under various sensitivities.

PR STAKEHOLDER AND REPUTATIONAL RISK

- The Group operates in locations, and in an industry sector, 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. The actions of international bodies may harm the objectives of the Company and its regional partners.

MITIGATION

- Where SOCO is operator, it implements its health, safety, environmental and social responsibility policies to ensure that Company activities conform to international best practice. For joint or non-operated projects, SOCO seeks to maximise its influence to promote best practice. SOCO garners the views of its stakeholders through direct and indirect engagement and by referring to external sources. Further details of how SOCO addresses these risks can be found in the CSR Report on pages 32 to 43.

PR OPERATIONAL RISK

- There are inherent risks in conducting exploration, drilling, and construction operations in the upstream industry. The level of risk is potentially impacted by harsh or unexpectedly extreme geological, geographical or weather conditions which may result in an associated impact on resource availability and increased costs.

MITIGATION

- SOCO seeks to mitigate its operational risks through the application of international best practice, including both in the design and build of its infrastructure and in its operating procedures. Further details of how SOCO addresses these risks can be found in the CSR Report on pages 32 to 43.
- 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.

PR STRATEGIC RISK

- There is a need to ensure that the Company is well funded to deliver on its capital commitments and business development opportunities whilst achieving its core strategies of Recognising Opportunity, Capturing Potential and Realising Value in order to deliver long term viability for the business.

MITIGATION

- The Company reviews a three year plan as part of its planning cycle and Going Concern and Viability Statement testing. The actual results to budget and forecasts are reviewed regularly by the Board. The Company also reviews regularly the remaining life of field economics given changes in economic conditions. Potential business development opportunities are assessed utilising the most current analysis for forecasting and sensitivities. The Board discusses strategy at each meeting of the Directors which includes an appropriate allocation between business development activities and shareholder returns.

PR HUMAN RESOURCE RISK

- The retention and recruitment of high quality personnel is essential for SOCO to deliver on its strategy. The loss of key experience and expertise could result in serious gaps within the Company knowledge base.

MITIGATION

- The Remuneration Committee retains independent advisors to test the competitiveness of compensation packages for key employees. SOCO operates bonus and long term incentive plans as well as the share option plans to provide incentive. Succession planning is in place for all key areas of the business. Further details of SOCO's remuneration policies and practices can be found in the Directors' Remuneration Report on pages 65 to 81.

Risk Management Report continued

CLIMATE CHANGE RISK

- Global transition to a lower carbon intensity economy in response to climate change could result in reduced demand and increased operating cost, capital cost, regulation and taxation. Accordingly, it is a factor that impacts many of the Group's principal risks set out herein, including those associated with commodity price, reserves, operations, political, stakeholder and reputational.

MITIGATION

- This report sets out the manner in which the Group seeks to mitigate each of its principal risks, including those that may be impacted by a global transition to a lower carbon intensity economy. There continues to be a wide range of views regarding future global energy markets, from a relatively benign main scenario, considered most likely, to substantially more severe scenarios that may arise from a sharper transition. In applying the mitigation measures for each of the Group's principal risks, SOCO seeks to monitor and apply the most current and evolving information on trends and factors that may impact on its current projects and as may be applicable to proposed future projects and the strategy for developing the business. Further details on climate change can also be found in the CSR Report on pages 32 to 43.

POLITICAL AND REGIONAL 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. Some of the Group's interests are in regions identified as potentially more susceptible to business interruptions due to the consequences of possible unrest. Additionally, the energy sector is exposed to a wide range of international political developments which could impact the operating and regulatory environment resulting in increased operating costs, compliance and taxation.

MITIGATION

- SOCO seeks to minimise such risks by using both international and in-country professional advisors and by engaging directly with the relevant authorities where appropriate. The Group assesses the risks of operating in specific areas before beginning operations in order to determine these risks as commercially acceptable. Project reviews are conducted on a risked basis considering the most relevant project-based factors under various sensitivities. SOCO does not currently carry political risk insurance or associated business interruption insurance coverage to mitigate such risks. However, it periodically assesses the cost and benefit of both and future circumstances may lead the Group to acquire such insurance cover.

BUSINESS CONDUCT AND BRIBERY RISK

- SOCO operates both in an industry sector and in certain countries where the promotion of transparent procurement and investment policies is perceived as having a low priority and where customary practice may fall short of the standards expected by the UK Bribery Act.

MITIGATION

- The Group seeks to mitigate these risks by ensuring that it has adequate 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. The 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 & 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, in confidence, raise concerns regarding improprieties, 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. Further details on the Company's Anti-Bribery and Corruption programme can be found in the CSR Report on pages 32 to 43.

RISK	MITIGATION
FOREIGN CURRENCY RISK Generally, it is the Company's policy to conduct and manage its business in US dollars. Cash balances in Group subsidiaries are primarily held in US dollars, but smaller amounts may be held in GB pounds or local currencies to meet immediate operating or administrative expenses, or to comply with local currency regulations. From time to time the Company may take short term hedging positions to protect the value of any cash balances it holds in non-US dollar currencies. The currency markets have been impacted by the Brexit decision in June 2016. SOCO's free cash flow from operations is USD based and any conversion to fund GBP based costs, is favourably impacted post the Brexit result. However, there could be an unfavourable impact on any funding of potential USD denominated acquisitions through an equity raise on the London Stock Exchange in GBP.	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 foreign currency denominated net assets as at 31 December 2016 would not have been material (2015: not material) and would not have been material with respect to the Group's profit in 2016 (2015: not material).
CYBER RISK Cyber security breaches could result in the loss of key confidential data, disrupt critical business systems or cause reputational and/or financial harm.	SOCO continues to focus its efforts on prevention and detection to these threats and employs a programme of effective continuous monitoring.
CONTRACTUAL RISK The Group enters into various contractual arrangements in the ordinary course of its business. Such contracts may rely on provisional information which is subject to further negotiation at a later date. This may give rise to uncertainty of such information.	The Group manages its commitments via the annual budget and regular forecasts, reporting against actuals on a monthly basis. Board delegated authority minimises the exposure to unauthorised commitments.

VIABILITY STATEMENT

In considering the viability of the Group, the Board has carried out a robust assessment of the risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, giving particular attention to the principal risks (see the Risk Management Report on pages 27 to 29). Whilst the Group is dependent on its main cash generating assets in Vietnam, its geopolitical environment has remained stable over many years and the Group's revenue producing assets have licence rights extending well beyond the viability period. Our assessments have been stress tested for downside scenarios on reduced production levels, lower oil prices and increases in capital expenditure and operating costs.

With SOCO's strong balance sheet, and with no debt or current requirement to raise finance, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due for the three year period to 31 December 2019.

Our strategy and associated principal risks underpin the Group's three year forecast and scenario testing. The three year forecast is built on an asset by asset basis using a bottom up model and is stress tested in robust downward scenarios. This three year period covers the Group's medium term capital plans and projections, in particular the oil price projections where market consensus data is more readily available for three years. It has been selected by the Board as it provides management and the Board with sufficient and realistic visibility of the future industry environment whilst capturing the Group's future expenditure commitments on its licences. In assessing the Group's viability over the next three years, it is recognised that all future assessments are subject to a level of uncertainty which increases with time and that future outcomes cannot be guaranteed.

Corporate Social Responsibility Report

Our goal is to be a positive presence whereby we provide responsible and sustainable development, resulting in value for the host countries and local communities, as well as for our own shareholders.

ANTONY MARIS
CHIEF OPERATING OFFICER

Strong corporate social responsibility ('CSR') is integral to SOCO's business strategy of recognising opportunity, capturing potential and realising value. At SOCO, we understand that:

- RO Recognising opportunity is reliant upon building strong relationships and being welcomed as a responsible partner by host governments and local communities.
- CP Capturing potential depends upon applying our technical expertise, particularly in the management of risks such as health and safety, security and environmental issues.
- RV Realising value creates value for society.

Our approach to CSR is implemented by managing our risks and mitigating the impacts of our operations through responsible and accountable leadership that sets clear expectations. The principal risks arising in connection with the Company's operations are described in the Risk Management Report on pages 26 to 31. Within this report, we describe our CSR ojectives; the policies pursued by the Company in relation to the management of health, safety, environmental and social responsibility risk; the business context and the performance outcomes of those policies during 2016.

Our goal is to be a positive presence whereby we provide responsible and sustainable development, resulting in value for the host countries and local communities, as well as for our own shareholders.

Our approach to CSR is implemented by managing our risks and mitigating the impacts of our operations

OUR CSR STANDARDS AND OBJECTIVES

Our established performance standards are encapsulated within our Code of Business Conduct and Ethics ('SOCO Code'), which sets out our values of honesty, fairness and promoting trust amongst those with whom we work. The SOCO Code is the foundation upon which we have built our CSR objectives (see Table A) and all of our internal controls mechanisms for managing health, safety, environmental and social responsibility ('HSES') risk.

In determining our CSR strategy, we consider the matters that are important in the successful delivery of the Company's corporate objectives and the matters that are most important to our stakeholders, who include national and host governments and local authorities; the local communities where we operate; our employees, contractors and business partners; our shareholders and the investment community; and the wider international community.

We garner the views of our stakeholders through direct and indirect engagement and by referring to external sources including current regulation and standards, published reports and media articles. The principal Corporate Social Responsibility issues which we considered material to our business and our stakeholders during this period were in the areas of overall HSES management, human rights, ethical business conduct and transparency. We report on each under their respective sections below.

HSES MANAGEMENT

Our CSR objectives are translated into our HSES policies which are made accessible to all of our employees and contractors through the SOCO Health, Safety, Environmental and Social Responsibility Management System ('SOCO HSES MS'). This comprises our internal controls mechanisms of policies, procedures and guidelines through which we assess, manage and mitigate our HSES risks and impacts. It assures:

- A clear assignment of responsibilities;
- Compliance with legislation and other requirements throughout all operations;
- Sound risk management and decision making;
- Efficient and cost effective planning and operations;
- A systematic approach to managing HSES;
- A sound framework for continual improvement.

The Chief Executive Officer is responsible for our Corporate Social Responsibility performance. Current issues are considered by the Board through a specific agenda item at each meeting. The Audit & Risk Committee oversees the adequacy and effectiveness of the SOCO HSES MS which includes procedures for incorporating the review of business risk into investment analysis and decision making. Led by the Chief Operating Officer, our country managers are responsible for the day-to-day implementation of the SOCO HSES MS.

PERFORMANCE STANDARDS

The SOCO HSES MS is consistent with the requirements of the internationally recognised standards ISO 14001 and OHSAS 18001. Going forward, as international standards evolve, we continue to review our procedures to ensure we remain consistent with them.

The SOCO HSES MS requirements are aligned with those of the International Finance Corporation (World Bank Group) ('IFC World Bank Group') and provide the framework for implementing the IFC World Bank Group Performance Standards (2012).

VIEW ON www.socointernational.com

- HSES MS Framework Summary
- Health, Safety, Environment Policy
- Social Responsibility Policy
- Human Rights Policy
- Security Policy
- Biodiversity and Conservation Policy

TABLE A: OUR CSR OBJECTIVES

Area	Our objective is	This means
OUR BUSINESS	To provide responsible and sustainable development.	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.
OUR ETHICS	To conduct our business in an honest and ethical manner.	Employees conduct themselves in an appropriate manner avoiding conflicts of interest, allegations of bribery or compromise. The Company complies with all applicable laws and conducts business in an ethical way.
OUR PEOPLE	To ensure the health, safety, security and welfare of our employees and those with whom we work.	Effective health, safety, security and welfare management. Working conditions and welfare in terms of human rights management is an imperative.
SOCIETY	To consult with and enhance the wellbeing of our host communities.	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.
ENVIRONMENT	To protect the environment and conserve biodiversity.	To protect the environment and minimise our footprint, manage natural resources and protect and enhance biodiversity.

2016 outcomes

The SOCO HSES MS was implemented through all projects for which SOCO was the designated Operator. During 2016, we made a number of additions to the SOCO HSES MS and carried out a full review of the system. The three principal outputs of this review were an update of our Biodiversity Policy; implementation of the Human Rights Policy and a full alignment with the UK Modern Slavery Act.

SPHERE OF INFLUENCE

SOCO partners with other businesses and with host governments typically through their national oil companies. This means that our sphere of influence varies by our degree of ownership, operatorship and influence (see Table B) and we tailor our approach to each individual project. Where we are the Operator and our influence is high, we can fully implement the SOCO HSES MS. Where we are the joint operator we use our influence to assess the targeted performance standards and, if relevant, to bring about alignment to the SOCO HSES MS.

OUR BUSINESS

SOCO's business is upstream, oil and gas exploration and production. We are a participating partner in four oil licence interests in three countries: Vietnam, Congo (Brazzaville) and Angola. Our business involves acquisition of and participation in exploration and production projects. Operational activities include geological and geophysical surveys; design, construction and drilling wells; assessment of hydrocarbon reserves, extraction and transfer of produced oil and gas to processing facilities. SOCO's revenues derive from our jointly operated producing assets, the Te Giac Trang ('TGT') Field in Block 16-1 and the Ca Ngu Vang ('CNV') Field in Block 9-2, both located in the shallow water Cuu Long Basin, offshore southern Vietnam, and from portfolio transactions occurring from time to time.

Our business creates value for society through its investment in developing countries and the role that the wider industry sector plays in meeting the global energy demand. Our contribution to the economic development of our host countries creates value for society by stimulating local economies. We input technical, managerial and commercial expertise contributing to national upskilling; create jobs in local communities; provide training and technical assistance; enhance the capacity of host governments; pay relevant taxes and governmental fees; generate revenues from hydrocarbon production; and create returns for our shareholders.

2016 outcomes

Our corporate strategic outlook in the short term is to shape the business and position the Company to deliver sustainable growth as sector economics recover. Accordingly, we have focussed on ensuring we are well positioned to deliver international best practice operating standards in all of our forward operating plans. We carried out a full review of the SOCO HSES MS during the year and continue to press forward with implementation, planning and training and awareness raising in 2017.

TABLE B: THE DEGREE OF OPERATORSHIP AND THE DEGREE OF INFLUENCE DURING 2016

DEGREE OF INFLUENCE	BLOCK, COUNTRY	SOCO OWNERSHIP	SOCO ROLE	2016 FIELD ACTIVITY	TARGET OUTCOME
High	Mer Profonde Sud, Congo (Brazzaville)	60.00% (until relinquishment)	Operator	Drilling of one exploration well	Full application of the SOCO HSES MS
High	Marine XI, Congo (Brazzaville)	40.39%	Operator	None	
Moderate	Block 16-1, Vietnam	30.50%	Joint Operating Partner	Field development and production	We seek to influence and where relevant, to bring alignment to the SOCO HSES MS
Moderate	Block 9-2, Vietnam	25.00%	Joint Operating Partner	Production from an unmanned platform	
Low	Cabinda North Block, Angola	17.00%	Non-Operator	None	We seek to make our views heard and ensure that at least minimum standards are met

The steps taken by the Board to ensure that it has adopted the appropriate corporate governance, including diversity, to facilitate effective, entrepreneurial and prudent management to deliver the long-term success of the Company, and in full compliance with the UK Corporate Governance Code, are described in the Corporate Governance Report on pages 50 to 61.

In Q1 2016, we completed a SOCO-operated one-well drilling campaign in the Mer Profonde Sud Block, offshore Congo (Brazzaville) ('MPS Operations'), prior to initiating relinquishment of the Block, and commenced a jointly operated development drilling campaign on the TGT Field, offshore Vietnam in Q4 2016. We were actively reviewing acquisition opportunities throughout 2016 and are continuing this impetus in 2017. Negotiations have been concluded for a 70% interest in a Production Sharing Contract ('PSC') over two blocks, Blocks 125 & 126, in the Phu Khanh Basin offshore central Vietnam which is expected to be executed during 2017.

The SOCO HSES MS was implemented through all projects for which SOCO is the designated Operator. There were no reported breaches of the SOCO Code or the HSES policies during 2016.

In preparation for SOCO becoming designated operator of a new PSC, we carried out a preliminary assessment of the potential environmental, social, governance risks associated with the Blocks based on publicly available information.

OUR ETHICS

To ensure we conduct our business activities with integrity and high ethical standards, the values expressed in the SOCO Code are integrated into the SOCO HSES MS through policies, procedures, implementation guidelines, project specific operational plans, programmes and training.

Our primary policies for promoting ethical business conduct are the:

- SOCO Code of Business Conduct and Ethics
- Guidelines for Implementation
- Business Conduct Procedure

In each country where we operate, we ensure that there is a thorough understanding of the local regulatory framework in force and ensure that our activities are compliant with licence requirements as well as the commitments we make in our Environmental and Social Impact Assessment Studies ('ESIA') that precede operational activity. The SOCO HSES MS facilitates best practice international standards, which exceeds national requirements in some countries.

SOCO co-operates fully with governmental and regulatory bodies. We do not engage in party politics or make donations to political parties or candidates.

Our contribution to the economic development of our host countries creates value for society by stimulating local economies

ANTI-BRIBERY AND CORRUPTION PROGRAMME

As reflected in the current SOCO Code, which was first published in 2004, the giving and receiving of bribes has always been prohibited throughout the organisation. Running in parallel with the Group's general risk management process, the Audit & Risk Committee has established a detailed anti-bribery and corruption ('ABC') risk assessment and mitigation reporting procedure and monitors this risk throughout the year.

A dedicated ABC programme is active across the Company. The programme includes due diligence on new vendors, annual training for all personnel, requisite compliance declarations from all associated persons and comprehensive 'whistleblowing' arrangements.

SOCO's Whistleblowing Policy reflects the protection afforded under UK employment law and aims to provide reassurance that employees will be protected from reprisals when raising concerns in the public interest regarding serious malpractice or wrongdoing within the organisation such as incorrect financial reporting, unlawful activity or activities that are not in line with SOCO's Code of Business Conduct and Ethics. In addition to the usual reporting channels, the Company offers a confidential Ethics Hotline, an independent telephone and web-based reporting service which is advertised to staff at all offices.

2016 outcomes

SOCO's ABC programme was active throughout 2016. During the year, we updated the Whistleblowing Policy and upgraded the accessibility of the Ethics Hotline. No reports were made under this policy in 2016.

Subsequent to the introduction in the UK of the Modern Slavery Act 2015, we conducted a thorough review and update of the SOCO HSES MS to ensure we have adopted all the necessary ethical and human rights processes throughout its policies and procedures. The updates include, for example, additional supply chain due diligence.

The suppliers selected to support our MPS Operations in Congo (Brazzaville) were assessed as low risk after being screened, evaluated and selected by our procurement team in line with our supply chain management procedures.

TRANSPARENCY

SOCO supports the principles of the Extractive Industries Transparency Initiative ('EITI'). SOCO is an EITI Reporting Company in Congo (Brazzaville). Our data is validated by external auditors prior to submission to EITI. We participated in EITI's validation mechanism for the Republic of Congo (Brazzaville) leading up to it becoming an EITI Compliant Country. During 2016, we completed reporting into EITI for the prior year.

We support the 2014 Reports on Payments to Government Regulations. In 2016, we published the details of tax and royalty payments made to governments around the world by SOCO and our subsidiaries on our website.

We have reviewed the SOCO HSES MS in light of the Modern Slavery Act 2015 and have issued a statement on the steps taken on our website.

We disclose our greenhouse gas ('GHG') emissions data for all operations, including the jointly operated projects in Vietnam in accordance with the UK 2006 Companies Act. We continued our annual disclosure of emissions to the Carbon Disclosure Project ('CDP') in 2016.

We have been alert to our stakeholders' requests for greater transparency, particularly in regard to how we assess the risks emanating from climate change. Although climate change has not been assessed as a separate principal risk to the business, but rather an underlying factor contributing to the principal risks, we acknowledge that stakeholder interest calls for more disclosure on the Company's approach. This is described further within this report and also in the Risk Management Report on pages 26 to 31.

> We have remained focussed on reviewing and further strengthening the SOCO HSES MS and ensuring that SOCO is well positioned to implement international best practice operating standards in all of its operated ventures

OUR PEOPLE

We are committed to operating safely and responsibly at all times. Positively impacting the wellbeing of our employees, our contractors and the local communities in which we operate is a priority. Our primary policies for promoting this standard are:

- SOCO Code of Business Conduct and Ethics
- Health, Safety, Environment Policy
- Social Responsibility Policy
- Security Policy

We implement the SOCO HSES MS at each stage of the project. The procedures and guidelines support a planned approach for identifying, analysing and managing occupational risks and confirming that our personnel and our contractors have the appropriate competency. We generate the relevant documentation on a project basis from bridging documents with our contractors, to emergency response documents, should an incident occur.

2016 outcomes

Safety will always be of the highest priority within the business. The economic downturn affecting the sector since 2014, during which we have adjusted our business to a low oil price environment, has not diminished our commitment to the careful management of our HSES risk. To this end, we have remained focussed on reviewing and further strengthening the SOCO HSES MS and ensuring that SOCO is well positioned to implement international best practice operating standards in all of its operated ventures both within its existing projects and with consideration to its forward growth strategy.

Throughout 2016, the SOCO HSES MS was implemented on all SOCO-operated projects. There were no reported breaches of the SOCO Code or any of the HSES policies. All scheduled HSE audits took place in 2016. In 2016, SOCO achieved its targets of zero fatalities and zero Lost Time Injuries ('LTIs') across all of its operations.

Our MPS Operations in Q1 2016 were completed with zero LTIs following focused health and safety training. Despite the excellent achievement of no LTIs, we take it very seriously that two near miss incidents occurred; one on the rig and one involving a fire at a staff house. Both incidents were investigated and corrective measures were taken to avoid recurrence.

Our interests in the TGT and CNV Fields offshore Vietnam are operated by the Hoang Long and Hoan Vu Joint Operating Companies ('HLHVJOC'), respectively. We are delighted by HLHVJOC's extremely high level of safe operations, with zero LTIs in over 20 million man-hours worked since project inception (see Table C) representing five production years on TGT and eight production years on CNV. Repeated monitoring, along with a review and update of safety and compliance procedures, during the year have contributed to the high standard. Continuing HSE training, drills, workshops and inspections are conducted to ensure that the zero target is maintained.

HEALTH OF OUR WORKFORCE

SOCO is committed to providing a healthy and safe workplace, not only for field operations staff, but also for our office based staff or those frequently working out of their home country. We continue to monitor health and safety practices in the workplace and provide health programmes for our corporate employees, including emergency assistance for those working abroad.

EQUAL OPPORTUNITIES

SOCO supports equal opportunities in the workplace in accordance with the UK 2010 Equality Act. SOCO embraces diversity and promotes a workplace culture where each person is treated with fairness and respect. Appointments to the Company and internal promotions are made solely on the individual employee's ability, skill, competence and potential. It is the Company's policy not to discriminate on grounds of race, gender, sexual orientation, disability, religion or age. This policy applies during the selection process and throughout the course of the individual's employment.

SOCO's equal opportunities policy was applied throughout 2016. Table D shows the average number of corporate personnel by gender. Our corporate employees have an average tenure of nine years (2015: eight). The lean size of the corporate organisation facilitates daily direct interaction and multidisciplinary dialogue amongst personnel and Executives. There were no reported incidents of discrimination in 2016 and no use was made of our internal grievance processes.

TABLE C: OUTSTANDING SAFETY RECORD IN VIETNAM

	2016	2015	SINCE PROJECT INCEPTION
Million man-hours worked	**0.98**	**2.4**	**20.5**
LTI	0	0	0

TABLE D: AVERAGE NUMBER OF CORPORATE PERSONNEL BY GENDER

		2016	2015	2014
Non-Executive Directors	Male	7	8	8
	Female	1	1	1
Executive Directors	Male	2	2	2
	Female	1	1	1
Senior Managers	Male	1	1	1
	Female	0	1	1
Other Employees	Male	5	8	9
	Female	8	8	8

SOCIETY

One of the key pillars of SOCO's CSR strategy is to support the wellbeing of the local communities in which we operate and to foster capacity building within the host nation.

We understand that our success is reliant upon building strong relationships and being welcomed as a responsible partner. Our CSR objective is to consult with and enhance the wellbeing of our host communities. This means building local capacity, during the exploration or development phases of a project, to ensure a positive imprint and legacy; and investing in social projects for the long term benefit of local communities. All of our licence agreements include a high degree of local content, which commits us to hire locally where possible and provide training to develop new skills. This is exemplified through our jointly operated projects in Vietnam which have 123 local staff personnel, 47 of which attended training sessions during 2016.

PROTECTION OF HUMAN RIGHTS

SOCO's primary policies setting out its commitment to uphold human rights, including those of indigenous peoples, throughout its business are the:

- SOCO Code of Business Conduct and Ethics
- Human Rights Policy
- Social Responsibility Policy
- Security Policy

The SOCO HSES MS has incorporated our commitment to protect human rights since its first issue. However, after listening to stakeholders' views, our human rights policy approach was reviewed by an independent expert and we issued a standalone Human Rights Policy in 2015. The policy aligns SOCO's commitment to the Voluntary Principles of Human Rights and the UN Guiding Principles on Business and Human Rights.

SOCO is committed to honour and respect the indigenous rights of people within our host communities. Prior to entering into a new licence, a new venture is assessed for the risk of the project having an impact on indigenous rights, and where a risk is found to exist, the SOCO HSES MS requires and facilitates implementation of policy and procedure that uphold and build upon our stated commitments.

2016 outcomes

SOCO's Human Rights Policy was piloted in Congo (Brazzaville) during the 2016 drilling campaign, and subsequently rolled out across the whole Company later in the year. The SOCO HSES MS was reviewed to ensure the Human Rights Policy is integrated throughout.

SOCO implemented a project level grievance mechanism process during the MPS Operation in Q1 2016. The grievance mechanism accessibility was communicated to all sub-contractors and local communities.

No grievance was received throughout the project and there have been no reported violations of our Social Responsibility, Human Rights or Security Policies in 2016.

Throughout the year, our operated and joint operated projects were offshore projects and accordingly, the risk of a potential impact on indigenous rights was assessed as low. In preparation for entering into a new PSC over Blocks 125 & 126, we carried out a preliminary assessment based on publicly available information, of the potential HSES risks including risks to Human Rights and indigenous communities.

SOCIAL INVESTMENT

SOCO's social investment in our host countries is integral to our economic investment and built into the commitments we make under our respective licences. The selection process for our social investment projects is driven both by the category of project and consideration of the local requirements of 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 extends across all the countries in which we have operations.

2016 outcomes

We began our local community projects in Congo (Brazzaville) approximately ten years ago upon acquiring the offshore Marine XI licence. Our priorities began with projects related to safe drinking water, community health and education. Over time, the outreach focus has concentrated more on sustainable projects to advance education. SOCO selects the projects based on local stakeholder engagement feedback and contact initiated by local communities and their organisations and charities and in discussion with the Congolese authorities. The selected projects are put forward for approval by the Congolese authorities. In 2016, we financed community infrastructure building projects in Pointe Noire to the amount of $350,000, and supervised their execution, including the renovation of an administrative building at Tchicaya College.

In Vietnam, community projects are selected by HLHVJOC based on recommendations from national government and PetroVietnam. During 2016, the HLHVJOC Charitable Donation programme focused on projects assisting development in rural areas especially healthcare, education and protection of the environment. In addition, HLHVJOC contributed to well-known charities such as Saigon Children's Charity, organisers of the Cyclo 2016 event. SOCO's financial commitment is set out under the licence terms. In 2016, SOCO's contribution to the charitable donation programme was approximately $100,000.

ENVIRONMENT

BIODIVERSITY

SOCO recognises and assesses the potential impact of our activities on the environment and is committed to responsible business conduct to ensure the protection of the environment and conservation of biodiversity. SOCO's primary policies setting out its commitment are:

- SOCO Code of Business Conduct and Ethics
- Health, Safety and Environment Policy
- Biodiversity and Conservation Policy

In 2014, SOCO made a firm public commitment to not operate in any UNESCO designated World Heritage Site and to ensure that activities in buffer zones around these sites do not jeopardise the Outstanding Universal Value for which these sites are listed. This commitment has been integrated into the SOCO HSES MS through the Biodiversity and Conservation Policy and the supporting Biodiversity Conservation & Management of Ecosystem Services Guidelines.

CLIMATE CHANGE

SOCO acknowledges that both oil and gas exploration and production activities and the consumption of the produced hydrocarbons lead to greenhouse gas emissions. Climate change is high on the international agenda with nations committing themselves to combating climate change and adapting to its effects. This has been most notably demonstrated by the ratification of the Paris Agreement, which entered into force on 4 November 2016.

The risks to business posed by climate change are included in the Company's risk assessment processes. The physical risks generally associated with climate change (sea level rises, extreme weather and water scarcity) are managed largely through established management processes including the application of industry best practice.

SOCO's primary policies addressing the physical risks to the business from climate change are:

- SOCO Code of Business Conduct and Ethics
- Health, Safety and Environment Policy
- Biodiversity and Conservation Policy

2016 outcomes

The SOCO HSES MS was implemented throughout all projects for which SOCO is the designated Operator. There were no reported breaches during 2016.

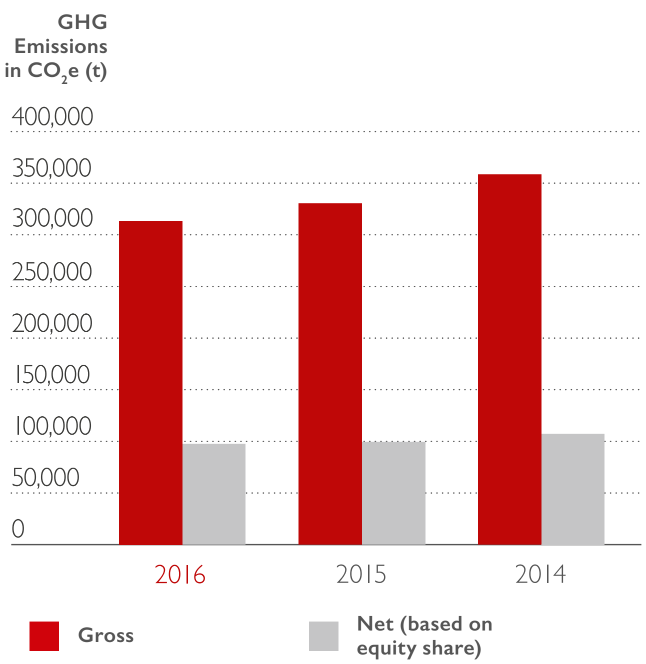
An ESIA was conducted for our Q1 2016 MPS Operations, which included a specific biodiversity risk assessment to identify the risks of impact on modified, natural or critical habitats, or legally protected or internationally recognised areas, or dependence on any ecosystems services from activities over which we would have direct management control or significant influence (as defined by the IFC's Performance Standard 6 (PS6) – Biodiversity Conservation and Sustainable Natural Resource Management). All mitigations measures identified in the ESIA were included in a commitment register and complied with during activities.

Within the context of entering into a new PSC over Blocks 125 & 126, we carried out a preliminary assessment of the potential HSES risks, including risk of environmental impact, based on publicly available information.

The Company continued to collect all greenhouse gas emissions data on a monthly basis (described further in the following section of this report) and intends to maintain its relatively low impact on the environment through regular monitoring, training and awareness raising and responsive action. There were no environmental regulatory non-compliances reported and no oil spills reported in either Congo (Brazzaville) or Vietnam.

SOCO's 2015 Energy Saving Opportunities Scheme Audit ('ESOS') in compliance with the UK ESOS Regulations 2014 remains valid until the next phase of ESOS in 2019.

FIGURE A: TOTAL CO_2E EMISSIONS GENERATED BY SOCO'S REPORTED OPERATIONS IN 2016



GREENHOUSE GAS ('GHG') REPORTING

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

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 (SF6), 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 (Brazzaville). No Scope Three emissions (indirect emissions created in the value chain) are reported.

Reporting boundary

SOCO reports GHG emissions from its operated projects (Mer Profonde Sud), joint-operated projects (Block 9-2 and Block 16-1), and associated corporate/administrative activities on an overall and equity share basis (see Figure A and Table E of this report). 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 project (Cabinda North Block) as there were no activities carried out on this licence during 2016. SOCO manages this non-operated project from the Pointe Noire office which is included in the Congo (Brazzaville) data.

Base year adjustments and 2016 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 2016 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

Corporate Social Responsibility Report continued

in 2016. This re-calculation 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 re-calculations as well as revised calculations for the years 2014 and 2015 have been included in the verification process, during which no material errors were identified.

2016 saw a very minor decrease in emissions produced, reflecting a slight decrease in operational activity during the year (see Figure A and Table E of this report). Although an offshore exploration well was drilled in Congo (Brazzaville) whilst there had been no operational activity the previous year, development drilling in Vietnam only started in November 2016, with the emissions of the rest of year linked to normal on-going production in both the CNV and TGT fields. Overall GHG emissions during 2016 were 313,523 tonnes of CO_2e, representing a 5% decrease compared with 330,282 tonnes of CO_2e in 2015. Based on equity share, which in 2016 included activity from three projects, SOCO's GHG emissions in 2016 were 97,438 tonnes of CO_2e, representing a 2% decrease from 99,571 tonnes of CO_2e in 2015. The decrease in emissions based on equity share is slightly smaller than the decrease in gross emissions due to the drilling campaign offshore Congo (Brazzaville) where the company is a majority holder, resulting in a higher share of the emissions attributed to SOCO.

For producing assets, SOCO's GHG emissions were 0.0229 tonnes of CO_2e per barrel of oil produced in 2016, which corresponds to a variation of less than 1% since 2015. Emission intensity from SOCO producing fields can therefore be considered stable.

Collection and verification

Activity data pertaining to GHG emissions from SOCO's Africa projects were collected by the SOCO HSES Manager, assisted by RPS Energy. In Vietnam, data were collected and reported to SOCO by the HLHVJOCs. RPS Energy assisted SOCO with 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.

CDP reporting 2016

SOCO publicly reports on GHG emissions and climate change matters through CDP's annual disclosure programme. CDP rated SOCO according to its scoring system in Band C in 2016, which corresponds to a demonstrated awareness of the environmental issues, risks and impacts in relation to the business. In 2017, SOCO will continue to identify, quantify and monitor its emissions, and will work towards improving this performance by identifying realistic initiatives and targets for emissions reduction across all our operations.

TABLE E: TONNES (T) OF CO_2E FOR 2016 OPERATIONS

COUNTRY	REPORTED OPERATIONS	OPERATIONAL PHASE	CO_2E (T) OVERALL[a]	CO_2E (T) BASED ON EQUITY SHARE[a,b]	CO_2E (T) BASED ON NORMALISED EMISSION PER BARREL OIL PRODUCED[c] OVERALL
UK	Corporate	Administration (office – electricity usage)	22	22	n/a
Congo (Brazzaville)	Mer Profonde Sud	Exploration (including logistics base)	8,884	5,330	n/a
	Corporate	Administration (office)	41	25	n/a
Vietnam	Block 9-2 CNV field	Field production	15,180	3,795	6.48×10^{-3}
	Block 16-1 TGT field	Field development /production (including logistics base)	289,395	88,265	2.57×10^{-2}
Total			**313,523**	**97,438**	**2.29×10^{-2}**

a Figures include rounding to the nearest whole number.
b Under equity share, SOCO reports a share of the emissions from partnerships pro-rata its ownership interest.
c Normalised emission is calculated, per field, and at country level, based on equity share, and gross/net BOEPD produced in 2016 in the CNV and TGT Fields.

PERFORMANCE INDICATORS AND EXECUTIVE DIRECTOR REMUNERATION

SOCO reports a number of non-financial key performance indicators ('NF-KPIs') and annual targets to monitor its performance against its strategic priorities and objectives. From an HSES perspective, both leading and lagging indicators are tracked in line with industry good practice.

The list of NF-KPIs and targets (Tables F and G, respectively) reported by SOCO is reviewed annually to ensure its suitability and updated as required. Effort is made to homogenise the reporting across the organisation between operated and non-operated assets. SOCO continues to monitor employee tenure, but has downgraded the indicator from a NF-KPI. This is because, in the context of a small size organisation, the measurement is not a sufficiently meaningful indicator of the Company's performance.

The remuneration of our Executive Directors is directly linked to SOCO's performance, with the annual bonus element being based on individual and corporate performance during the year, which includes social and environmental performance. This is to help ensure that the focus of the Board and management is aligned with the interests of our shareholders. Corporate goals are set annually and include financial and non-financial objectives, of which the latter relating to CSR are set out in the tables F and G. The appropriate weighting of the metrics each year is determined by the Remuneration Committee. The remuneration outcomes for the Executive Directors are described in the Directors' Remuneration Report on pages 65 to 81.

In addition to the above indicators, SOCO measures a number of other HSES indicators, including water consumption, produced water volume, produced water oil content, fuel usage, HSE training sessions, HSE audits and toolbox meetings.

KEY DEVELOPMENTS IN 2016 AND PLANS FOR 2017

The targets, outcomes and plans referenced below reflect the Company's annual HSE Plan, which is approved by the Board, and support our overall CSR objectives. Led by the Chief Operating Officer, the HSE plan is implemented at country level by the project HSE managers (for SOCO-operated projects), with the assistance of RPS Energy acting as HSE advisor to the Group. The remuneration of the Executive Directors is linked to the outcomes referenced in Tables F and G of this report.

TABLE F: NON-FINANCIAL KPIS (HSES)

	TARGET	2016	2015	2014
Lost time injury frequency rate	Zero	0	0.4	0.3
Fatal accident frequency rate	Zero	0	0	0
Emissions (million tonnes of CO_2 equivalent) (based on equity share)	–	0.10	0.10	0.11
Oil spills	Zero	0	0	0
Solid non-hazardous waste (tonnes)	Set per project	91.97	327.8	498.4
Solid hazardous waste (tonnes)	Set per project	83.03	207.8	401.3
HSE regulatory non compliances	Zero	0	0	0

KPI See Additional Information – Key Performance Indicators on page 113 for all KPIs reported and their definitions.

TABLE G: 2016 PERFORMANCE AGAINST TARGETS AND ONGOING PLANS

OUR BUSINESS

2016 TARGETS	2016 OUTCOMES	ONGOING PLANS 2017
Continue to implement HSES MS across SOCO's operated projects.	SOCO's operated projects during 2016 comprised the MPS Operations throughout which the SOCO HSES MS was fully implemented.	• No field activities are planned for 2017 on SOCO-operated projects. The SOCO HSES MS will be applied to any such activities that arise. • Continue awareness raising and training for employees and contractors.
Provide input to HLHVJOC's HSES management system if a significant deviation from SOCO HSES policies is identified.	No significant deviations have been identified. Review and discussion is ongoing in accordance with SOCO's approach towards its jointly operated projects.	• Continue assessing the HSES policies of jointly operated projects in light of 2017 operations plans.
Undertake a review of the HSES policies relevant to its non-operated projects when activity is scheduled.	No non-operated projects were active during 2016. Therefore this requirement is carried forward to 2017.	• Assess the HSES policies relevant to its non-operated projects when activity is scheduled.
Undertake cost benefit analysis of the shortlisted sustainability initiatives, certification under quality assurance standards and best practice reporting standards.	The SOCO HSE MS has been updated to meet the intent of the ISO14001 standard. No formal certification is sought at this stage. The cost-benefit analysis has therefore not been conducted.	• Review potential for formalised commitment to shortlisted sustainability initiatives, quality assurance certification and best practice reporting standards.
Report KPIs and targets for Group business data reporting in line with industry best practices.	Reporting of KPIs and targets for Group business data has been carried out in line with industry best practices.	• Perennial target.

OUR ETHICS

2016 TARGETS	2016 OUTCOMES	ONGOING PLANS 2017
Review of SOCO HSES MS in regard to revised Code of Conduct, Human Rights Policy and Modern Slavery Act 2015.	A thorough review of the company HSES MS has taken place to align with the SOCO Human Rights Policy and Modern Slavery Act 2015.	• Roll-out the revised SOCO HSES MS through training and internal stakeholder programme. • Implement Modern Slavery Prevention programme, including additional supply chain due diligence and annual disclosure on website of measures taken. • Continue supplier due diligence programme, including training. • Review ABC programme and update as required.
Receive Self Declaration Statements from operations staff on an annual basis.	Received Self Declaration Statements from all staff.	• All personnel to complete the annual ABC programme including training, testing and self-declaration statements as a perennial target.
Continue anti-bribery training and testing on, at a minimum, an annual basis.	Continued anti-bribery training and testing.	• All personnel to complete the annual ABC programme including training, testing and self-declaration statements as a perennial target.
Report KPIs and targets for Group ethical data in line with industry best practices.	Reporting of KPIs and targets for Group business data has been carried out in line with industry best practices.	• Perennial target.

OUR PEOPLE

2016 TARGETS	2016 OUTCOMES	ONGOING PLANS 2017
Conduct HSE audits and inspections according to plan.	HSE audits have been conducted in line with audit schedule and HSE inspections have been undertaken on a regular basis (daily, weekly, etc., according to plan).	• Perennial target.
Identify and conduct additional HSES training requirements.	A number of HSES training sessions have been carried out throughout the year, in particular in our Congo (Brazzaville), including: • HSES risk management training. • Emergency response training and exercise.	• Perennial target.
Ensure all contractors have access to a grievance mechanism.	A grievance mechanism was available to all contractors.	• Activate a project level grievance mechanism for all SOCO-operated projects when activity is scheduled.
Report KPIs and targets for group HSE data in-line with industry best practices.	Reporting of KPIs and targets for Group HSE data has been in line with industry best practices.	• Perennial target.

SOCIETY

2016 TARGETS	2016 OUTCOMES	ONGOING PLANS 2017
Implement SOCO Human Rights Policy for Congo (Q1) and then roll out across all of SOCO operations.	The Human Rights Policy was implemented during Congo (Brazzaville) exploration activities (Q1) then signed at Group Level.	• Conduct an internal audit of the implementation of the 'Communications and stakeholder engagement guidance'. • Implementation of the New Entry Procedure, when a new project arises, including an assessment of risk of impact on local communities, human rights and indigenous rights. • Develop an action plan to manage human rights risk during activities related to Blocks 125 & 126.
Continue provision of awareness training to all staff on Human Rights Policy.	Awareness training was provided both in Congo (Brazzaville), to both staff and key contractors, and at board level.	• Conduct an internal stakeholder programme of awareness raising and training.
Conduct human rights due diligence exercise.	A human rights preliminary assessment was conducted for Vietnam.	• Carry out human rights due diligence exercise for countries where we have a continued presence.
Continue with community projects in all regions where we operate to enhance education, health and/or the environment.	In Congo (Brazzaville), two community infrastructure building projects were agreed and one was completed according to schedule. In Vietnam, SOCO contributed to the HLHVJOC Charitable Donations Programme which supported projects assisting development in rural areas of Vietnam.	• Honour previously agreed financial commitments and continue social investment in local communities according to the project specific selection processes.
Report KPIs and targets for group social data in-line with industry best practices.	Reporting of KPIs and targets for Group social data has been in line with industry best practices.	• Perennial target.

ENVIRONMENT

2016 TARGETS	2016 OUTCOMES	ONGOING PLANS 2017
Implement the revised Biodiversity and Conservation Policy.	A biodiversity risk assessment was included in the Environmental and Social Impact Risk Assessment and was conducted for the 2016 drilling campaign offshore Congo (Brazzaville).	• Implementation of the Biodiversity and Conservation Policy for all SOCO-operated projects.
Implement the revised Corporate New Entry Procedure for each new project or new joint venture.	The New Entry Procedure was implemented through the preparation of an Environmental, Social and Human Rights Preliminary Assessment Report in view of SOCO's entry in Vietnam as an operator.	• Implementation of the New Entry, when a new project arises, including an assessment of risk of impact on the environment.
Investigate improvement of GHG emissions management by identifying realistic initiatives and targets for emissions reduction across all operations.	Emissions reduction across operations will be developed in a strategic plan to include a flare reduction strategy. This has been rolled over to 2017.	• Continue the work to improve GHG emissions management by identifying realistic initiatives and targets for emissions reduction across all operations.
Report KPIs and targets for group environmental data in-line with industry best practices.	Reporting of KPIs and targets for Group environmental data has been in line with industry best practices.	• Perennial target.

Approval of the Strategic Report
This report was approved by the Board of Directors on 22 March 2017 and is signed on its behalf by

Cynthia Cagle
Company Secretary
22 March 2017

About the Board

1

N

2

N

3


4


5

A R N

6


7


8

A R N

KEY

Committees
A Audit & Risk
R Remuneration
N Nominations

Membership
Committee chair
Committee member

1. RUI DE SOUSA
NON-EXECUTIVE CHAIRMAN, 61
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 Limited and the President of Quantic Mining. Rui is currently a director of Quantic Limited and Chairman of Blackdown Resources.

2. ED STORY
PRESIDENT AND CHIEF EXECUTIVE OFFICER, 73
APPOINTED: APRIL 1997

Ed Story was one of the founding directors of SOCO International plc and serves as President and Chief Executive Officer. Under his leadership, SOCO acquired its principal assets in Vietnam and, by building strong relationships with its partners, has progressed the assets from initial exploration through to being one of the largest producing fields in Vietnam. Ed has over 46 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 The 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, which merged its controlled holdings into Cairn Energy, thereby creating the leading South Asian oil and gas company in the UK Independent sector. 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 CEO AND CHIEF FINANCIAL OFFICER, 69
APPOINTED: APRIL 1997

Roger Cagle was one of the founding directors of SOCO International plc and serves as Deputy CEO and Chief Financial Officer. Under his financial directorship, SOCO has raised over $230m in equity, returned $455m to its shareholders through share buybacks and cash returns and has been debt free since 2013, after fully redeeming $250m of 4.5% convertible bonds. Roger 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 The 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
VICE PRESIDENT AND COMPANY SECRETARY, 62
APPOINTED: DECEMBER 2012

Cynthia Cagle was one of the founding executives of SOCO International plc and serves as Vice-President – Accounting and Company Secretary. Cynthia has been instrumental in each of SOCO's key transactions contributing to its current business model, including the initial IPO and the acquisition and value realisation of its UK, Russia, Mongolia, Tunisia, Yemen and Thailand assets. Cynthia has over 35 years' experience in the oil and gas industry. Prior to joining SOCO, Cynthia gained her industry experience through senior accounting positions in Snyder Oil Corporation's international subsidiary, Conquest Exploration Company and The Superior Oil Company, and additional financial experience with Texas Commerce Bancshares.

5. ROB GRAY
NON-EXECUTIVE AND SENIOR INDEPENDENT DIRECTOR, 63
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, 61
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. ETTORE CONTINI
NON-EXECUTIVE DIRECTOR, 42
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.

8. ANTÓNIO MONTEIRO
NON-EXECUTIVE DIRECTOR, 73
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 Spanish bank Sabadell, and Chairman of the Advisory Council of Gulbenkian's Foundation Program for Development Assistance.

Annual Report of the Directors

The Directors present their annual report, along with the audited Financial Statements of the Group for the year ended 31 December 2016. Information on pages 44 to 45 and 50 to 81 is incorporated herein by reference and forms part of this Directors' report.

CYNTHIA CAGLE
VICE PRESIDENT AND COMPANY SECRETARY

DEVELOPMENTS FOLLOWING THE 2016 REPORTING PERIOD

An indication of the likely future developments in the business of the Group is included in the Strategic Report on pages 1 to 43. Details of significant events since the balance sheet date are contained in Note 36 to the Financial Statements.

RESULTS AND DIVIDENDS

The audited Financial Statements for the year ended 31 December 2016 are set out on pages 90 to 112. The Board has recommended a final dividend of 5 pence per Ordinary Share, which amounts to approximately $20.6m, and which if approved at the AGM will be paid on 16 June 2017 to shareholders on the register at the close of business on 26 May 2017.

During the year, the Company also announced an interim dividend of 2 pence per Ordinary Share, amounting to $8.0m, which was paid on 21 October 2016 to shareholders on the register at the close of business on 30 September 2016.

Also in 2016, the Company announced a final dividend for 2015 of 2 pence per Ordinary Share amounting to $9.5m, which was approved by shareholders on 9 June 2016 and paid on 17 June 2016 to shareholders on the register at the close of business on 27 May 2016.

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 Table A of this report. All Directors held office throughout the year except as noted in the Table. The Non-Executive Directors' appointments are terminable at the will of the parties. Executive Directors' contracts are terminable by either party on giving one year's notice.

In accordance with the provisions of the 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 44 to 45. 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 27 to the Financial Statements. The Company currently has one class of shares in issue, ordinary shares of £0.05 each all of which are fully paid. Each ordinary share in issue carries equal rights including one vote per share on a poll at general meetings of the Company, subject to the terms of the Articles and law. Shares held in treasury carry no such rights for so long as they are held in treasury. Votes may be exercised by shareholders attending or otherwise duly represented at general meetings. Deadlines for the exercise of voting rights by proxy on a poll at a general meeting are detailed in the notice of meeting and proxy cards issued in connection with the relevant meeting. Voting rights relating to the ordinary shares held by the SOCO Employee Benefit Trust are not exercised. The Articles may only be amended by a resolution of the shareholders.

No shareholder, unless the Board decides otherwise, is entitled to attend or to vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if he or she or any person with an interest in 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 2017 AGM, as is customary, to authorise the Directors to exercise all powers to allot shares and approve a limited disapplication of pre-emption rights. In line with institutional shareholder guidance, and in particular with the Pre-emption Group's Statement of Principles published on 12 March 2015 (the 'Pre-emption Principles'), the authority sought for disapplication of pre-emption rights will be increased from 5% to 10% on the basis that the additional authority is only intended to be used in accordance with the Pre-Emption Principles. Further information regarding these resolutions, which are based on template resolutions published by the Pre-emption Group in May 2016, is set out in the circular to shareholders. A resolution will also be proposed at the 2017 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 approximately 10% of the Company's issued ordinary share capital at 22 March 2017. Shares purchased under this authority may either be cancelled or held as treasury shares.

AUDITOR

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 11 to the Financial Statements. All non-audit services are approved by the Audit & 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 & Risk Committee Report on page 62 to 63.

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 themselves aware of any relevant audit information and to establish that the auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the 2006 Act.

GREENHOUSE GAS EMISSIONS REPORTING

Reporting on emission sources, as required under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, is included in the Corporate Social Responsibility Report on pages 32 to 43.

TABLE A: DIRECTORS HOLDING OFFICE DURING 2016

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 Appointed to the Board 05.12.12	14.05.97
Robert M Cathery* Retired from the Board 09.06.16	19.06.01
Ettore P M Contini	11.12.01
Marianne Daryabegui* Retired from the Board 20.10.16	01.10.13
António V Monteiro*	10.06.09
John C Norton* Retired from the Board 09.06.16	14.05.97
Edward T Story Chief Executive Officer	14.05.97
Michael J Watts* Retired from the Board 31.01.17	21.09.09

* Denotes those determined by the Board to be independent Non-Executive Directors as described in the Corporate Governance Report on pages 50 to 61.

Annual Report of the Directors continued

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2016, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the voting rights as a shareholder of the Company shown in Table B of this report.

TABLE B: SUBSTANTIAL SHAREHOLDINGS IN THE COMPANY

NAME OF HOLDER	% OF VOTING RIGHTS AND ISSUED SHARE CAPITAL	NO. OF ORDINARY SHARES	NATURE OF HOLDING
Ettore Contini[1]	8.74	29,000,000	Direct and indirect
Blue Albacore Business Ltd	8.32	27,615,840	Direct
Globe Deals Ltd	8.27	27,444,382	Direct
Chemsa Ltd	7.27	24,136,925	Direct
FIL Limited	5.00	16,603,894	Indirect
Ed Story[2]	4.13	13,716,384	Direct and indirect

1 Ettore Contini holds 29,000,000 Shares, representing 8.74% of the total voting rights of the Company, of which 220,000 Shares (0.07%) are held personally by Ettore Contini and 28,780,000 Shares (8.67%) are held through Liquid Business Ltd, a closely associated person to Ettore Contini.

2 Ed Story holds 13,716,384 Shares, representing 4.13% of the total voting rights of the Company, of which 12,041,384 (3.63%) Shares are held personally by Ed Story and 1,675,000 (0.50%) Shares are held through The Story Family Trust, a closely associated person to Ed Story.

During the period between 31 December 2016 and 22 March 2017, the Company did not receive any notifications under chapter 5 of the Disclosure and Transparency Rules. For further information on Directors' interests, please see page 77.

REQUIREMENTS OF THE LISTING RULES

Table C of this report provides references to where the information required by the listing rule 9.8.4R is disclosed:

TABLE C: LISTING RULE REQUIREMENT

LISTING RULE REQUIREMENT	
Details of any long term incentive schemes as required by the listing rule 9.4.3 R.	Directors' Remuneration Report page 65 to 81
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
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 35 page 112
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 29 page 109

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 Strategic Report on pages 1 to 43 including the Financial Review on pages 24 to 25, 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.

DIRECTORS' RESPONSIBILITY STATEMENT

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

(a) the Financial Statements set out on pages 90 to 112, 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 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.

Cynthia Cagle

By order of the Board

Cynthia Cagle
Company Secretary

22 March 2017

Corporate Governance Report

I encourage a Board culture that enhances the already high level of constructive and challenging inquiry and discussion of strategy.

RUI DE SOUSA
CHAIRMAN

Dear Shareholders

We have applied the principles of the UK Corporate Governance Code ('the UK Code') throughout the year and welcome the continuing developments.

At SOCO, we understand that:

RO Recognising opportunity is reliant upon there being a balance of skills, experience, knowledge, independence and diversity within the Board to effectively and constructively challenge and refine strategy.

CP Capturing potential requires entrepreneurial leadership, ensuring appropriate resources along with a culture of governance conducive to the effective assessment, management and internal control of risk and quality shareholder engagement.

RV Realising value is dependent upon the Board being an effective unit, setting appropriate strategic aims, managing conflicts of interest and transparent and progressive remuneration policies that align interests with shareholders, delivering success resulting in long term value for all of our shareholders.

As Chairman, I remain focused on ensuring that the Board and its Committees are operationally effective on the level necessary to meet the Company's long term strategic objectives. Last year we reported on our dedicated programme of succession planning and refreshment that promotes a balance of independence and diversity along with qualities that result in an exceptional balance of skills, experience and knowledge on the Board. Since then, there have been a number of changes in Board membership. John Norton and Robert Cathery retired from the Board, as announced in last year's Annual Report; Marianne Daryabegui stood down in October 2016 due to her employer limiting its employees' participation as non-executive directors; and subsequent to the year end, Mike Watts stood down as a director to co-head business development for the Company. While these changes have resulted in an overall reduction in the number of independent non-executive directors, I am pleased that having exceeded UK Code requirements for the majority of the year, we currently have the requisite number of independent non-executive directors on the Board and on each of our Committees without any additional appointments. Additionally, our current Board and Committees possess an appropriate balance of attributes required to be effective in discharging our duties and responsibilities. Nevertheless, under our programme of Board refreshment and succession planning we continue to consider the appropriate timing for additional Non-executive appointments, in step with our forward strategic outlook.

During 2016, I encouraged a Board culture that would enhance the already high level of constructive and challenging inquiry and discussion of strategy. This was a catalyst for pivotal discussions around risk at critical stages of our strategy discussions, which impacted the Board's thinking and ultimate decision making. My Board colleagues and I agree that our Board's culture of open and frank debate has enhanced the Board's alignment to the interests of the Company's shareholders.

I remain attentive to the opinions of our shareholders, expressed both through direct engagement and through shareholder voting at our AGMs. Recent AGM proxy voting has demonstrated strong shareholder approval. While this is a clear expression of support, my Board colleagues and I remain alert to issues and concerns that may be conveyed.

The following pages provide further detail of how the Board has fulfilled its commitment to good corporate governance, and in particular, those principles related to the role and effectiveness of the Board.

Rui de Sousa
Chairman

UK CORPORATE GOVERNANCE CODE (THE 'UK CODE')

The Company is committed to the principles contained in the UK Code, issued in 2014 and updated in 2016 by the Financial Reporting Council (available at www.frc.org.uk) and for which the Board is accountable to shareholders. SOCO is defined as a smaller company for the purposes of the UK Code. The Company has applied the principles set out in the UK Code, including both the Main Principles and supporting principles including the provisions for smaller companies, by complying with the UK Code as described within this report, the Directors' Remuneration Report and the Audit & Risk Committee Report.

STATEMENT OF COMPLIANCE WITH THE UK CODE

Throughout the year ended 31 December 2016, the Company has complied with the provisions set out in the UK Code.

LEADERSHIP

THE ROLE OF THE BOARD AND ITS MEMBERS

SOCO's Executive Directors ('Executives') and Non-Executive Directors ('NEDs'), together as a unitary Board, are responsible for the long term success of the Company. Their statutory duty is to act in what they consider to be in the best interests of the Company. Led by the Chairman, the Board typically has four scheduled meetings a year and holds additional meetings as necessary. See pages 44 to 45 for biographical details of the Directors and their committee memberships.

The Board operates within a framework that distinguishes the types of decisions to be taken by the Board, including:

- Determination of strategy, business plan and nature or scope of the Company's business
- Setting the principal operating policies and standards of conduct
- Approval of overall financial budgets and financing agreements
- Approval for establishing key corporate relationships
- Approval of any actions or matters requiring the approval of shareholders

Within this framework, while the Board has largely delegated the authority for implementing its strategy and decisions to the Executive Directors and management, there is a formal schedule of matters specifically reserved to its own decision.

At the date of this report, the Board comprises seven Directors in addition to the Chairman (see pages 44 to 45 for biographical details). Their Board roles, described in Table A of this report, including those of the committees, are established in writing and approved by the Board.

COMMITTEES

In accordance with the UK Code, the Board has established three Committees: Audit & Risk, Remuneration and Nominations Committees. Each Committee has formal terms of reference ('TOR'), approved by the Board, which set out its delegated role and authority. The TOR have been set with consideration of the provisions of the UK Code and are reviewed from time to time in the context of evolving guidance. Each TOR is available on the Company's website (www.socointernational.com).

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 acting as Chairman, are set out on page 44. Attendance at scheduled committee meetings by all members serving during the period is set out in Table C to this report.

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 that 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.

During 2016, the Board held four scheduled meetings, as was deemed required and sufficient for the effective discharge of its duties during the period. Descriptions of the committees are set out in their respective sections below.

A number of changes occurred in Board membership during 2016 as set out in Table B to this report. Additionally, during 2017, Mike Watts has stepped down as a Director and a member of each of the committees, and subsequently joined the Company to co-head the newly formed Business Development group. The changes have been managed without any undue disruption and the Board is pressing ahead with its refreshment programme to bring further skills and diversity onto the Board at an appropriate time. No concerns, including about the running of the Company or a proposed action, was lodged by any NED stepping down to date.

There was full attendance of Directors at scheduled Board meetings and full attendance of members at the Audit & Risk, Remuneration and Nominations Committees as set out in Table C of this report.

EFFECTIVENESS

THE NOMINATIONS COMMITTEE

The Nominations Committee's primary duties include making recommendations to the Board regarding the appointment and re-election of Directors and the Committee memberships. It is responsible for review and recommendations regarding overall Board structure and composition, succession planning and establishing an ongoing process for evaluating the Board and its members.

The Nominations Committee meets at least once a year. Its membership, duties and priorities during 2016 are set out in Table D of this report. Further details of the Committee's activities, matters of discussion, policies and objectives are set out in the following sections.

ANNUAL EVALUATION OF BOARD PERFORMANCE AND EFFECTIVENESS ('BOARD EVALUATION')

The Board carries out an annual evaluation of its own performance and that of its Committees and individual Directors. The annual process is undertaken to assess its overall effectiveness, enhance the quality of the Board and improve its procedures through identifying and addressing strengths and weaknesses.

The Nominations Committee led the process for the 2016 Board Evaluation and shared the results with the full Board. The 2016 Board Evaluation was again externally facilitated as it has been since 2011. The evaluation process was utilised to assess Director effectiveness, time commitments of NEDs and training and development needs of each Director, which were reviewed by the Chairman. The process was also used to facilitate a review of conflicts of interest, which is described more fully on page 54. The Chairman led a discussion with the Nominations Committee and the full Board on the results of the evaluation.

The 2016 Board Evaluation process involved the following:

- Evaluation of the Board and its effectiveness as a whole, its Committees and individual Directors.
- External facilitation services provided by Nautilus Management Limited, an independent firm that has also provided secretariat and governance advice to the Company.
- Confidential questionnaires and interviews.
- Emphasis on the critical issues facing the Company, and in particular over the next three years.
- Particular scrutiny of strategy, corporate social responsibility, NED independence and succession planning.
- Comment on the operation and performance of the Audit & Risk, Nominations and Remuneration Committees.
- Full Board discussion of the results, led by the Chairman.
- Evaluation of the Chairman by the NEDs, led by the Senior Independent Director, taking into account the views of the Executives.

A number of areas were identified for ongoing focus in 2017 including the following:

- Ensuring that strategy continues to evolve and adapt in response to the oil price environment.
- Continued commitment to deliver the corporate strategy in the context of the macro sector.
- The importance of maintaining an atmosphere of open discussion and challenge and informal discussion between meetings was encouraged.

BOARD BALANCE AND COMPOSITION

At 31 December 2016, the Board comprised three Executives and six NEDs, including the Chairman. This follows the retirement during the year of three NEDs (see Table B). There were no individuals or contingents that dominated any of the Board decisions. An assessment of Board and Committee composition, including in respect of compliance with UK Code guidelines, was conducted in conjunction with each change, and in December 2016. In accordance with the results, throughout the year the Board has maintained an appropriate balance of experience, skills, diversity, independence, tenure and knowledge of the Company and the industry to effectively promote the long term success of the Company. The Board's current balance and composition is shown in Tables F and G of this report.

This notwithstanding, the Board is pressing ahead with a programme for refreshment which targets a balance of these attributes within an appropriately sized Board. As a standing agenda item during 2016, the Nominations Committee, on behalf of the Board, discussed succession planning and timing appropriate for additional NED appointments. No new appointments were made to the Board and the programme is ongoing.

Board refreshment and tenure are considered together within the important context of foreseeable circumstances facing the Company, including its stated growth strategy, and given that the Board should not be enlarged to a size that is unwieldy. The Board seeks to maximise the benefits of diversity and independence in its succession and refreshment planning and in constituting each of its Committees. Board appointments will continue to be made based on merit and with consideration of objective criteria of competencies and attributes, including gender diversity.

Appointments are made through a formal process led by the Nominations Committee. The terms and conditions of appointment of each of the NEDs are available for inspection. Following a new appointment, the Company Secretary facilitates a process of induction and assimilation determined appropriate to the appointee's particular role and experience. The process is described more fully in Table H of this report.

Diversity Policy

SOCO's Board diversity policy supports the UK Code's 2016 prefatory guidance and gives consideration to the diversity brought about by race and gender. However, the Board in particular, pursues diversity of approach, experience, knowledge, skills, and relevant professional backgrounds.

INDEPENDENCE

It is crucial that a Board has NEDs who express independent judgement. UK Code guidelines are that smaller companies should have at least two independent NEDs. While independence is monitored on an ongoing basis, SOCO formally assesses the independence of its NEDs annually in December, including greater scrutiny and a particular review process for NEDs having served on the Board for more than six years or nine years, respectfully.

The Board's outlook concerning independence emphasises that an individual's independence is not determined merely by a fixed period of service, and in order to avoid an arbitrary loss of skills and experience without a reciprocal gain of additional independence, the Board does not enforce fixed term contracts with its NEDs and considers the most appropriate term of office for a SOCO NED as generally longer than that envisioned in UK Code guidelines.

SOCO identified seven Directors as independent NEDs during 2016, until the retirements of John Norton and Robert Cathery in June and Marianne Daryabegui in October. The four continuing independent NEDs, which exceeded UK Code guidelines, were Rob Gray (the Senior Independent Director), Mike Watts, António Monteiro and Olivier Barbaroux.

Following the results of the 2016 independence assessment, Rob Gray (the Senior Independent Director), António Monteiro and Mike Watts were determined to be independent. The Board agreed that the tenure of these Directors has not affected their independence or their ability to bring independent judgement in the discharge of their duties as Board and Committee members.

The independence of Olivier Barbaroux, having served over nine years, was given particular scrutiny. The Board was cognisant that long tenure is a circumstance that has the potential to diminish an individual's ability to express independent judgement, if not carefully and professionally managed, which could dilute the level of challenge and strength of debate in the Boardroom. In the case of Mr Barbaroux, it was noted that this risk has been exceptionally managed and mitigated, and that the Board's discussions had benefitted from his long term knowledge of the Company's projects and risk profile. Amongst the factors considered were that Mr Barbaroux continually exhibits an appropriate separation from the Executives, he freely expresses his own frank and individual viewpoint and he contributes objective probing and challenge to the Board's debates reflective of his professional skills and experience. Mr Barbaroux additionally is seen to seek and demand clarification, detailed explanation and amplification from the Executives on discussion and decision matters, and has direct access to the Group's employees and external advisors.

The Board determined that it was satisfied that Mr Barbaroux's tenure alongside that of the Executives has not diminished his ability to express and demonstrate independent and autonomous judgement. Mr Barbaroux's participation in Board discussions injects a high standard of robust inquiry to the proceedings and is enhanced by his long term knowledge of the Company's business. Accordingly, the Board has identified Mr Barbaroux as an independent NED.

At the date of this report, the Board has three independent NEDs, after Mike Watts stepped down as a Director in January 2017 to co-head business development for the Company.

Factors considered in the Board's 2016 annual independence assessment are described in Table E of this report.

In concluding the 2016 assessments of Board balance, composition and independence, the Board determined that the varied and relevant experience of its independent NEDs combined provide an exceptional balance of skills and the requisite experience to effectively lead the business in achieving its long term objectives. The Board was further satisfied that each of the Company's Directors strictly abides by his or her 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. Results of the assessments were used in developing the Committee's recommendations for the re-election of each of the retiring Directors at the 2017 AGM. The process for re-election is described more fully in Table H of this report.

Development, Information and Support

Throughout 2016, all Directors received ongoing access to resources for the update of their skills and knowledge; both on an individual and a full Board basis. The results of the 2016 Board Evaluation confirmed the Board's satisfaction with the processes adopted, including receiving information from management in a timely manner, in a form, and of an appropriate quality that enabled it to discharge its duties.

ACCOUNTABILITY

THE AUDIT & RISK COMMITTEE

The Committee is responsible for ensuring the integrity of the Financial Statements and narrative reporting, including annual and half year reports in order that, in accordance with the UK Code, the Board presents a fair, balanced and understandable assessment of the Company's position and prospects. The Audit & Risk Committee meets at least three times a year and is comprised of Independent NEDs. The Committee is authorised to access advice and resource as it may deem required to carry out its duties.

Throughout 2016, the number of independent NEDs appointed to the Audit & Risk Committee exceeded UK Code guidelines for smaller companies. The Audit & Risk Committee's membership, duties and priorities during 2016 are set out in Table I to this report. Further details of the Committee's activities, matters of discussion, policies and objectives are set out in the Audit & Risk Committee Report on pages 62 to 64.

FINANCIAL AND BUSINESS REPORTING

In accordance with the UK Code, statements are made in the sections referenced in Table J to this report:

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, led by the Audit & Risk Committee, has considered all significant aspects of material internal control including financial, operational and compliance controls and risk management, including the management of environment, social and governance risks, arising during the period and the effectiveness of such controls were reviewed at each Audit & Risk Committee meeting. The Board seeks to ensure that its internal control and risk management processes are embedded within the business, including ongoing review and monitoring and dealing with any weaknesses identified.

Corporate Governance Report continued

The Directors are responsible for establishing, maintaining and reviewing the effectiveness of a sound system of internal control. Such a system 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 a 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. Responsibility for implementing the Company's material internal control systems has been delegated to Executive management. 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 were 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 considers whether appropriate actions are taken promptly to correct any significant weaknesses identified, and whether more extensive monitoring may be required. The Board confirmed it was satisfied with the review processes employed and the results thereof. The Board further 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.

Specific review processes are undertaken by individual Committee members according to his or her area of expertise and the results thereof were reported to the full Committee and to the Board. Reviews are based principally on discussions with management and on reports provided by management to consider whether significant risks had been identified, evaluated, managed and controlled. The NEDs also utilised independent interaction with employees and third parties. Particular scrutiny was applied to the review of controls applicable to new or evolving areas of risks as they are identified.

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 established a continuous process, which has been in place throughout the year to the date of this report 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.

During 2016, a robust assessment was conducted of the risks affecting the Company. A summary of the risks is provided in the Risk Management Report on pages 26 to 31, including identification of the principal risks and how these risks are being mitigated to enable the Company to achieve its strategic objectives.

EXTERNAL AUDITORS

The Board has established arrangements for maintaining an appropriate relationship with the company's auditors. Further information is provided in the Report of the Audit & Risk Committee on pages 62 to 64.

INTERNAL AUDIT FUNCTION

Although the Company does not currently have a separate in-house internal audit function, the Directors review at least annually the need to establish such a function. The review in 2016 was led by the Audit & Risk Committee which gave its recommendation to the Board. 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 in order to ensure there is an appropriate level of independence and access to the diversity of expertise required to deliver a full range of internal audit activities. The Company has identified independent advisors who can fulfil immediate internal audit needs that may arise. It was determined that the current provisions are fit for purpose.

REMUNERATION

THE REMUNERATION COMMITTEE

The Remuneration Committee is responsible for setting the remuneration of the Chairman and the Executives, and is responsible for appointing any consultants it may engage in carrying out its duties.

Throughout 2016, the number of independent NEDs appointed to the Remuneration exceeded UK Code guidelines for smaller companies. The Remuneration Committee meets at least once a year. Its membership, organisation and primary duties are set out in Table K below. Further details of the Committee's activities, matters of discussion, policies and objectives are set out in the Directors' Remuneration Report on pages 65 to 81.

CONFLICTS OF INTEREST

Directors have the 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.

Each Director has notified the Board of his/her conflicts or in some cases, the potential for conflicts or the absence of conflicts. The Board has assessed each notification on its own merits, including the implementation of appropriate limits and conditions, prior to giving authorisation for any specific conflict or potential conflict to exist. The Board assessed its conflict authorisations on an ongoing basis throughout the year and additionally performed a scheduled review in December 2016.

RELATIONS WITH SHAREHOLDERS

The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. The Executives are responsible for ensuring that 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 NEDs are responsible for taking sufficient steps to understand these views, including any issues or concerns.

Directors were apprised on shareholder and stakeholder relations matters, including shareholder concerns and opinions, at each quarterly Board meeting. Brokers' reports were discussed at scheduled Board meetings. Public relations reports, proxy agency reports and analysts' reports were distributed to the full Board. The Chairman was available for interface with the Company's major shareholders.

SOCO has maintained an open and active dialogue with its shareholders throughout the year. The Deputy Chief Executive and Chief Financial Officer has responsibility for investor relations and has employed an outside agency to provide assistance in the dissemination of information to shareholders and the general public and also to solicit active feedback as to the effectiveness of such efforts. The Company was responsive to requests for face-to-face meetings with its institutional shareholders and additionally proactively sought direct engagement with fund managers coincident with interim and full year results. The Board is also attentive to enquiries from its retail shareholders who interfaced with management throughout the year and represented a good percentage of the attendance at the Company's AGM.

The Company uses its website to post and disseminate important information promptly to a wide audience. The website is also utilised by shareholders and stakeholders to electronically interface with management.

In 2016, the Company has continued its dialogue with shareholders and other stakeholders regarding its corporate social responsibility approach and non-financial reporting.

Although no specific meetings were requested, the NEDs are made available to SOCO's major institutional shareholders throughout the year, and particularly to be responsive when additional communication with the Chairman, Senior Independent Director or other NED has been requested. 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 Executives.

In addition to the two personal communication forums around the Annual Results and Interim Results presentations, the Company utilises its AGM for direct engagement with its shareholders. Notice of the AGM is circulated to all shareholders at least 20 working days, and for other general meetings at least 14 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. All Directors including the Chairmen of the Audit & Risk, Remuneration and Nominations Committees were available to answer shareholder questions and to respond to any specific queries. The 2016 AGM was well attended by shareholders and the voting outcomes of all resolutions achieving more than 90% votes in favour indicated strong shareholder support.

TABLE A: BOARD LEADERSHIP ROLES AND RESPONSIBILITIES

ROLES AND RESPONSIBILITIES

The Board

- Determines and develops the strategy for the business.
- Provides entrepreneurial leadership.
- Ensures the Company is adequately resourced to meet its strategic objectives.
- Sets the values, standards and controls necessary for risk to be effectively assessed and managed.
- Ensures the Company meets its obligations to its stakeholders.
- Meets on a quarterly basis, with additional meetings convened at interim times as required.

Chairman

- Responsibilities are clearly established, set out in writing and agreed by the Board.
- A distinctly separate role from that of the Chief Executive Officer.
- Responsible, jointly with the Chief Executive, for the leadership of the Company and for promoting the highest standards of integrity and probity.
- Responsible for the leadership of the Board, leading the constructive challenge of the Executives' strategy through open and probing discussion, and ensuring that:
  - The Board is effective in all aspects of its role.
  - The Board agenda is set with adequate discussion time applied.
- Ensures the NEDs are fully apprised of all the aspects of the business:
  - The Boardroom culture is one of openness and debate.
  - The effective contribution by the NEDs is adequately facilitated.
  - There are constructive relationships between the Executives and the NEDs.
- Meets with the NEDs without the Executives present, at least annually.

Chief Executive Officer

- Responsibilities are clearly established, set out in writing and agreed by the Board.
- Responsible, jointly with the Chairman, for the leadership of the Company and for promoting the highest standards of integrity and probity.
- A distinctly separate role from that of the Chairman.
- Responsible for leading the Executives and Management Team.
- Ensuring management's effectiveness in running the business and implementing strategy and policy.

ROLES AND RESPONSIBILITIES

Executive Directors ('Executives')

- The division of responsibilities between the Executives is set by the Board.
- The Executives are responsible for:
  - The implementation of the Board's agreed strategy through the development of an appropriate business plan and for implementing decisions approved by the Board in accordance with their relevant authority.
  - Leadership of the senior managers in the day-to-day running of the Group's business, managing the Group's risk programmes including the environmental, health, safety and social performance of the business.
  - Ensuring the Company has adequate financial and human resources to implement its objectives.
- Reporting the Group's performance and strategic direction to the Board and for providing accurate, timely and clear information to enable the Board to make sound decisions.

Non-Executive Directors ('NEDs')

- Undertake a supervisory role that contributes to the development of strategy by:
  - Constructive challenge, probing and debate.
  - Review and analysis drawn from their particular skill set, experience and knowledge.
  - Scrutiny of the performance of management in meeting their agreed goals and objectives.
- As members of the Board's principal Committees:
  - Ensure the integrity of financial information.
  - Ensure that financial controls and systems of risk management are effective, adequate, robust and defensible.
  - Determine the Executive's remuneration.
  - Appoint, remove and set out the Board's approach to succession planning.
- Ensure possession of sufficient information for the discharge of duties – this may be achieved through dialogue with management, training and consultation with independent professional advisors, as required.

Senior Independent Director

- The Senior Independent Director provides an independent leadership role to the Board.
- Is available to the Chairman to discuss and develop ideas to maximise the Board's effectiveness.
- Serves as an intermediary to other Directors to ensure that each individual's views are fully considered in reaching unitary consensus on Board matters.
- Meets at least annually with the other NEDs, without the Chairman present.
- Facilitates discussion including the appraisal of the Board's effectiveness and performance of the Chairman.
- Is available to shareholders, as described more fully under Relations with Shareholders.

ROLES AND RESPONSIBILITIES

Company Secretary

- The Company Secretary is appointed by the Board.
- Responsibility 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.
- Facilitates the induction programme for new Directors upon their appointment. This is tailored to the new Director's individual qualifications and experience.
- 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.
- Ensures that 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.

Audit & Risk Committee

- Responsibility for the integrity of the Financial Statements and narrative reporting, including annual and half year reports; adequacy and effectiveness of the internal financial controls and internal controls and risk management systems, and relationship with the external auditor. More details are provided in the Audit & Risk Committee section of this report and the Audit & Risk Committee Report.

Remuneration Committee

- Responsibility for the design, development and implementation of the Company's remuneration policy. More details are provided in the Remuneration Committee section of this report and the Directors' Remuneration Report.

Nominations Committee

- Ensuring that the leadership needs of the Company are sufficiently appropriate to ensure continued ability to compete effectively in the marketplace. More details are provided in the Nominations Committee section of this report.

TABLE B: BOARD MEMBERSHIP AND CHANGES IN COMPOSITION DURING THE YEAR

	31 DECEMBER 2016	31 DECEMBER 2015
Total Directors	9	12
NEDs	6	9
Independent NEDs	4	7
Female Directors	1	2
Retired	Robert Cathery (June) John Norton (June) Marianne Daryabegui (October)	
Audit & Risk Committee		
Members	3	4
Appointed		
Retired	Marianne Daryabegui (October)	
Remuneration Committee		
Members	3	4
Appointed	-	
Retired	Marianne Daryabegui (October)	
Nominations Committee		
Members	5	5
Appointed	Rob Gray (October)	
Retired	Marianne Daryabegui (October)	

Corporate Governance Report continued

TABLE C: DIRECTORS' ATTENDANCE IN 2016

DIRECTOR	BOARD MEETING	AUDIT & 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

TABLE D: NOMINATIONS COMMITTEE MEMBERSHIP, ORGANISATION AND PRIMARY DUTIES

MEMBERSHIP AND ORGANISATION

- The Committee Members are:
  - The Chairman of the Board, Rui de Sousa (Committee Chairman).
  - Chief Executive Officer, Ed Story.
  - Independent NEDs:
    - Mike Watts (until 31 January 2017).
    - António Monteiro.
    - Marianne Daryabegui (until October 2016).
    - Senior Independent, Rob Gray (from October 2016).
- Other Directors are invited to attend as determined appropriate or beneficial, including Directors performing an advisory capacity:
  - Olivier Barbaroux.
  - Robert Cathery (until June 2016).
  - John Norton (until June 2016).
- The qualifications of each of the chairman, members and advisors are set out on pages 44 to 45.
- The Committee's Terms of Reference are available on the Company's website (www.socointernational.com).
- The Committee conducted its duties through:
  - Two meetings held during 2016, and one meeting to date in 2017.
  - The Chairman additionally led discussions of certain matters before the full Board to expedite unitary decision-making.

PRIMARY DUTIES

- Ensuring that the leadership needs of the Company are sufficiently appropriate to ensure continued ability to compete effectively in the marketplace.
- Review of the Board's structure, size and composition (including skills, knowledge, experience and diversity).
- Assessment of Non-Executive Director independence, time commitments and training and development needs.
- Facilitating the process by which Directors report and approve conflicts of interest or potential conflicts of interest that may arise.
- The Company's succession planning for:
  - The Board as a whole, for maintaining an appropriate balance between all of the relevant attributes required for the discharge of its duties.
  - Executives and other senior management.
- Leading the Director appointment process (see below):
  - Identification and nomination of Board appointment candidates.
  - Appointment of the Senior Independent Director.
  - Recommendations for the Committees' chair and membership roles.
- Leading the Director re-election process:
  - Recommendations for annual re-election.
  - Applying particular scrutiny for terms over six years.
- Continuation in office matters.
- Conduct of the annual Board Evaluation:
  - Implement an appropriate evaluation process.
  - Evaluate Board, Committees and Directors' collective and individual performance.
  - Review the results of the evaluation process.

Further details are provided on the Committee's responsibilities in the TOR available on the Company's corporate website.

TABLE E: FACTORS CONSIDERED IN INDEPENDENCE ASSESSMENT

PRIORITIES FOR INDEPENDENT DIRECTORS	CHALLENGES TO INDEPENDENCE	SCRUTINY OF INDEPENDENCE	DIRECTORS ASSESSED AS INDEPENDENT
• Express individual view points. • Debate issues. • Objectively scrutinise management. • Constructively challenge and advise. • Contribute to strategic decisions. • Bring effective oversight. • Sufficient time committed.	• Tenure concurrent with each of the CEO and Deputy CEO. • Long tenure (over nine years). • Conflicts of interest.	• Is there clear alignment with shareholders? • Has interaction with Executives eroded independence? • Is independence of character demonstrated? • Is independent judgement demonstrated? • Are there any relationships or circumstances likely to affect or could appear to affect judgement. • Is there a demonstration of seeking clarification and amplification, including direct interaction to the Group's employees and external advisors? • Are qualities and behaviours exhibited that are considered integral to independence? • Particular scrutiny is applied in assessing the continued independence of Directors having served over nine years.	• Rob Gray • António Monteiro • Mike Watts • Olivier Barbaroux

TABLE F: SPECIAL KNOWLEDGE, SKILLS AND EXPERIENCE OF NEDS DURING 2016

ATTRIBUTE	AS AT 31 DECEMBER 2016	AT 31 DECEMBER 2015
	No of NEDs	No of NEDs
Access to key strategic relationships	4	5
Industry contacts	5	8
City contacts	2	5
Entrepreneurial	3	3
Industry knowledge – Technical	2	3
Industry knowledge – Commercial	4	7
Accounting/Disclosure/Reporting	2	4
Regulatory/Governance	2	2
Banking/Finance/Markets	5	7

TABLE G: DEMOGRAPHICS OF EXECUTIVES AND NEDS

ATTRIBUTE		NO OF DIRECTORS AS AT 31 DECEMBER 2016	NO OF DIRECTORS AS AT 31 DECEMBER 2015
Ages	45 and under	1	1
	46-65	5	6
	66 and over	3	5
Nationality	UK	2	4
	Other Europe	4	5
	Rest of the World	3	3
Gender	Male	8	10
	Female	1	2

Corporate Governance Report continued

TABLE H: THE PROCESS FOR BOARD APPOINTMENTS AND RE-ELECTION

PROCESS FOR APPOINTMENTS

- The Board level succession planning policy addresses the approach to maintaining a balanced Board, including the benefits of diversity.
- Succession planning is aimed at:
  - Maximising the benefits of diversity, independence, individual merit, experience and complementary Board skills.
  - Increasing Board balance in both independence and diversity as a priority.
  - Directors are encouraged to be attentive to identifying candidates who meet one or both of these objectives.
- The Nominations Committee has responsibility for:
  - Identifying and nominating candidates to fill vacancies which may arise from time to time.
  - Ensuring that Board membership is sufficiently refreshed and retains an appropriate balance of skills and experience.
  - Developing a description of the role, estimated time commitment and the capabilities and attributes complementary to the composition of the Board and its Committees.
- Appointments Process:
  - The Committee would normally utilise an independent external advisor to facilitate any search or, if not, justify why it did not do so.
  - A diverse list of candidates compiled and a rigorous review process undertaken, involving other Board members as appropriate.
  - Recommendations are made on merit set against objective criteria and with due regard for the benefits of diversity.
  - Committee recommendations are submitted for full Board approval.
  - A letter setting out the terms and conditions of appointment, including an indicated time commitment, is signed by the Company and the new Director. Directors' appointment letters are available for inspection under standard conditions.
  - New director induction is facilitated by the Company Secretary upon appointment.

PROCESS FOR RE-ELECTION

- All Directors annually retire and seek re-election by shareholders at the Company's AGM.
- The Nominations Committee recommends re-election after giving consideration to:
  - The results of individual evaluation.
  - The director's demonstrated continued satisfactory performance, commitment and effectiveness.
  - The complement of skills and capabilities represented on the board and its collective effectiveness in the delivery of a successful strategy and meeting the challenges facing the company.
  - The balance of the board's composition and the need for diversity and refreshment.
  - The tenure of a ned, with additional scrutiny in the cases where the term has exceeded six years.
- Following this process, the Board determines its own recommendation to shareholders regarding the reappointment of those retiring Directors who have offered themselves for reappointment.

TABLE I: AUDIT & RISK COMMITTEE MEMBERSHIP, ORGANISATION AND PRIMARY DUTIES

MEMBERSHIP AND ORGANISATION

- Committee Members are Independent NEDs:
  - Committee Chairman – Mike Watts (until 31 January 2017).
  - Rob Gray (Senior Independent).
  - Marianne Daryabegui (until October 2016).
  - António Monteiro.
- Other Directors are invited to attend as determined appropriate or beneficial, including Directors performing an advisory capacity:
  - Olivier Barbaroux.
  - Robert Cathery (until June 2016).
  - John Norton (until June 2016).
- The external Auditor during 2016 was Deloitte LLP.
- The qualifications of each of the chairman, members and advisors are set out on pages 44 to 45.
- The Committee's Terms of Reference are available on the Company's website (www.socointernational.com).
- The Committee conducted its duties through:
  - Three meetings held in 2016, and one meeting to date in 2017.
  - All meetings were attended by Executive management.
  - All meetings were attended by the external Auditor.
  - A private session was held without Executive management present.
  - Additional informal meetings and communications took place between the Chairman, various Committee members, external auditors and the Company's executives and employees.

PRIMARY DUTIES

- The integrity of the Financial Statements and narrative reporting, including annual and half year reports.
- The adequacy and effectiveness of the internal financial controls and internal controls and risk management systems:
  - Covering all areas of business risk including environmental, social and governance ('ESG') risk.
  - Procedures for incorporating the review of business risk, including ESG risk, into investment analysis and decision making.
  - Annual Report statements concerning internal controls and risk management.
  - The adequacy and effectiveness of the Company's compliance and whistleblowing and investigatory arrangements and prevention of fraud and bribery.
- Recommendations on the appointment, re-appointment and removal of the Company's external auditor:
  - Tendering of the external audit service at a minimum of every ten years.
  - Investigation of issues leading to an external auditor's resignation.
- Relationship with the external auditor:
  - Remuneration.
  - Terms of engagement.
  - Assessing its independence and objectivity annually.
- Further details are provided on the Committee's responsibilities in the TOR available on the Company's corporate website.

TABLE J: ACCOUNTABILITY STATEMENT PAGE REFERENCES

ACCOUNTABILITY STATEMENTS	REPORT	PAGES
Business Model and Strategy	Strategic Report	1 to 43
Directors' Responsibility Statement	Annual Report of the Directors	46 to 49
Auditor's Statement	Independent Auditor's Report	82 to 89
Going Concern Statement	Financial Review	24 to 25
Viability Statement	Strategic Report	1 to 43
Material Uncertainties	Note 4 to the Financial Statements	97
Risk Management and Internal Control	Risk Management Report	26 to 31
	Audit & Risk Committee Report	62 to 64
Audit & Risk Committee	Corporate Governance Report	50 to 61
	Report of the Audit & Risk Committee	62 to 64

TABLE K: REMUNERATION COMMITTEE MEMBERSHIP, ORGANISATION AND PRIMARY DUTIES

MEMBERSHIP AND ORGANISATION	PRIMARY DUTIES
Committee Members are Independent NEDs • Committee Chairman – António Monteiro. • Rob Gray (Senior Independent). • Mike Watts (until 31 January 2017). • Marianne Daryabegui (until October 2016). Other Directors are invited to attend as determined appropriate or beneficial, including Directors performing an advisory capacity: • Olivier Barbaroux. • John Norton (until June 2016). • Robert Cathery (until June 2016). The qualifications of each of the chairman, members and advisors are set out on pages 44 to 45. The Committee's external Remuneration Advisor was FIT Remuneration Consultant LLP (appointed January 2016). The Committee's Terms of Reference are available on the Company's website (www.socointernational.com). The Committee conducted its duties through: • Two meetings held in 2016 and two meetings to date in 2017. • The Committee additionally held informal meetings with management and advisors.	Responsibility for the Company's remuneration policy and its implementation. Design of performance related pay schemes, awards made and corresponding performance targets. Setting remuneration for the Executive Directors and the Chairman. Monitoring and considering Group remuneration, and in particular for senior management. Pension arrangements for the Executive Directors and senior management. Contractual terms on termination – ensuring any payments are fair to the individual and the Company, that failure is not rewarded and the duty to mitigate loss is fully recognised. Oversight of any major changes in employee benefits structures. Ensuring that disclosure of information, including pensions, comply with regulatory requirements and UK Code guidelines. Reporting on the Company's remuneration policy and practices in the Annual Report for shareholder approval at the AGM. Maintaining contact as required with its principal shareholders about remuneration. Further details are provided on the Committee's responsibilities in the TOR available on the Company's corporate website.

Report of the Audit & Risk Committee

ROB GRAY
AUDIT & RISK
COMMITTEE CHAIRMAN

Dear Shareholders

RESPONSIBILITIES OF THE AUDIT & RISK COMMITTEE

The Audit & 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 on behalf of the Board, including Environmental, Social and Governance 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 UK Corporate Governance Code (the '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 the last tender process, in 2002. Fees payable to the auditors were reviewed and approved by the Committee and are set out in Note 11 to the Financial Statements.

Noting the Code's guidance regarding external audit tendering and rotation, a competitive tender process is required at least once every ten years. Under the Statutory Auditors and Third Country Auditors Regulations 2016, giving regard to transitional arrangements, we will conduct a competitive tender process no later than for the 2023 year-end audit. The Committee will continue to consider whether the appropriate timeframe in which to conduct such a tender process, in light of the regulatory requirements as well as auditor performance and independence, falls before this date.

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 which would 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 2017, 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 & 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 & Risk Committee is satisfied that appropriate safeguards are applied to ensure independence and that objectivity is 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.

The Committee approved all non-audit services provided by the external auditors in 2016. The non-audit fees during 2016 were in relation to the half year review, advice on communications with regulatory authorities and advice to management on Group remuneration matters. In addition they provided transaction services as potential reporting accountants on a proposed transaction in 2016. Their experience in relation to the transaction meant there were clear economies and benefits from using the auditors for this work. The Committee reviewed the scope of the services and concluded that such services did not affect the auditors' independence and were consistent with relevant ethical guidance in place. Details of non-audit services are set out in Note 11 to the Financial Statements.

The Committee continues to review its non-audit services policy which in 2016 required all non-audit services to be pre-approved by the Committee. In 2017 whilst all non-audit services will still need to be approved by the Committee the policy specifically lays down the permitted non-audit services in relation to audit related and other permitted services and those that are prohibited.

EXTERNAL AUDITORS – AUDIT REPORT TO INCLUDE KEY OBSERVATIONS OR FINDINGS

We have requested our audit team to early adopt ISA (UK) 700 (International Standards on Auditing) in reporting key observations or findings within their report on pages 82 to 89.

RISK ASSESSMENT

The Committee undertook a robust and 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 & 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 at least 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 53. 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 Terms of Reference 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 49.

SIGNIFICANT ISSUES RELATED TO THE 2016 FINANCIAL STATEMENTS

For the year ended 31 December 2016 the Audit & 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 Group's exploration and evaluation properties that continue to be classified as intangible assets on the balance sheet as at 31 December 2016 comprise Marine XI and Cabinda North Blocks in Africa and Blocks 125 & 126 offshore Vietnam, as described in the Review of Operations on pages 16 and 23.

The Committee considered the Group's intangible exploration and evaluation assets individually for any indicators of impairment including the indicators specified in paragraphs 18 to 20 as set out in IFRS 6 Exploration for and Evaluation of Mineral Resources (see policy Note 2(g) to the accounts).

Our policy is that where an exploration asset is within a geographic pool where the Group has tangible oil and gas assets with commercial reserves, the intangible exploration and evaluation asset is assessed for impairment together with all the other Cash Generating Units (CGU's) 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. There are no producing assets in Africa and so those assets have been separately assessed for impairment.

Each asset has been tested for indicators of impairment and no impairment triggers were identified under IFRS 6 (see the Review of Operations on pages 16 to 23 for details of the intangible assets and Note 16 to the accounts).

Report of the Audit & Risk committee continued

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 on page 28, are calculated using standard evaluation techniques which have inherent uncertainties in their application.

The Committee has discussed with management and the auditors the results of third party ('ERCE') reserve assessments and the audit conducted by our reserves auditor Gaffney Cline and Associates, which are discussed further in the Review of Operations on pages 22 to 23. These results have also 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. 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 ('PP&E')

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 2016, the Group's PP&E oil and gas assets comprised its two Vietnam producing licences TGT and CNV, the ongoing activities of which are described in the Review of Operations on pages 16 to 23. Having given consideration to the current oil price environment, management determined that there were indicators of impairment and the assets have been thoroughly tested through economic modelling using a range of assumptions. Both assets were determined to have a fair value equal to or in excess of its book carrying value. The CNV asset fair value was also tested for an impairment reversal, as in 2014 an impairment provision was recorded in the books. Management concluded, and the Committee agreed, that testing did not support an impairment reversal on CNV at this time. 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 17 to the Financial Statements.

FINANCIAL ASSET

We are pleased to confirm that the financial asset value of $42.7m held on the balance sheet at 31 December 2016 has been fully received in March 2017 (see Notes 22 and 36).

Rob Gray
Audit & Risk Committee Chairman

Directors' Remuneration Report

ANTÓNIO MONTEIRO
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 2016.

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. Under the relevant regulations, the Company is required to renew its policy at least every three years so such approval is being sought at the 2017 Annual General Meeting ('AGM'). No material changes are being sought although we have taken the opportunity to update the policy for various changes which have been implemented to reflect developments in best practice over the last three years.
- The Annual Report on Remuneration which provides details on how Directors were paid in 2016 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 2017. This section of the report will be subject to an advisory shareholder vote at the 2017 AGM.

HOW PERFORMANCE WAS REFLECTED IN THE PAY OF OUR EXECUTIVE DIRECTORS

As reported throughout the Strategic Report, the Company continues to be impacted by the global industry downturn. This creates unique and difficult challenges for our entire staff, including our Executive Directors, in their efforts to successfully shape the business for resilience, identify and take advantage of real opportunities as they arise, and deliver sustainable growth in a lower oil price environment. The Committee intends for its pay packages to strike an appropriate balance between incentivising and rewarding these efforts, while maximising shareholder alignment and preserving resource in a highly stressed economic climate. We have sought to achieve this in our Executive pay packages in 2016, whereby:

- Salaries remained frozen at the 2013 level.
- Annual bonus performance measures emphasised strategic measures designed to reflect success in meeting the current challenges. The Committee has sought to provide a clear link between these measures and our core strategic objectives in its disclosure of the bonus measures, assessment and payout.
- Annual bonus awards were considered in light of the continued impact of the challenging oil price environment on the Company's shareholders. In order to moderate the bonus outturn, the Committee agreed with Management's recommendation that no bonus would be awarded on progress made against business development metrics. Additionally, the Committee applied a discretionary downward adjustment. As a result, Executive bonuses were awarded at 35% of maximum, reduced from award levels of 80% and 75% of maximum for 2014 and 2015, respectively.
- Long term incentive awards granted in 2013 vested at 46%, based on relative total shareholder return measured over three years in accordance with our policy.
- Long term incentive awards were considered in the normal approved policy ranges, vesting over a three year performance period but additionally subject to a further two year holding period. As a result, any potential value will only be realised after a five-year period and will be significantly impacted by success in delivering the long term business strategy to create value for shareholders.

Full details on incentive payments for performance achieved to December 2016 are provided in the Annual Report on Remuneration.

KEY DECISIONS AROUND REMUNERATION FOR 2016

The Committee continued to monitor rapidly evolving market practice and relevant guidance. As described elsewhere in this letter, remuneration policies and executive pay packages were reviewed. The Committee considered the disclosure of annual bonus performance measures, and has sought to improve its reporting by providing additional detail in both retrospective and prospective disclosures. The Committee takes into account pay conditions elsewhere in the Company, and considered matters related to group remuneration.

POLICY RENEWAL

Under the relevant legislation, our policy will be subject to renewal at the 2017 AGM. The Committee conducted a detailed review in preparation for submitting its Remuneration Policy Report for shareholder approval. The Committee believes its policies continue to be well placed to align Executive Directors with our overarching strategic objective of building and recognising value for our shareholders, with an appropriate level of flexibility to give due regard to a volatile economic climate. The Committee has resolved to closely monitor market practice to ensure its policies reflect developments and continue to be appropriate.

While no material changes to the policy are proposed, the proposed policy has been updated to reflect certain developments in best practice, including:

- The inclusion of caps on the various elements of pay – this reflects the latest guidance from the GC100 and others and does not reflect any intention to change our practices. It should be noted that such caps do not reflect any form of aspiration and, indeed, salaries and other elements of the package have been frozen for the fourth year in a row.
- The requirement for Executive Directors to retain any net of tax vesting under the LTIP for an additional two years post-vesting
- The increase in the share ownership guidelines to 2x base salary
- A widening of the circumstances when malus/claw-back may be invoked
- The bonus policy now specifies that the Committee may apply deferral up to 100% of any earned bonus, as was applied in relation to 2014 and 2015. Deferral is required on any bonus over 100% of salary as a minimum.

We were pleased that our remuneration policy received strong support from shareholders, with over 98% of votes cast in favour of the resolution in 2014, and we look forward to receiving your support again at the upcoming AGM.

António Monteiro
Remuneration Committee Chairman

Policy Report (Unaudited)

This remuneration policy will be effective from 13 June 2017 subject to shareholder approval at the 2017 AGM. The policy is intended to apply for a period of 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.

The overarching aim is to operate a remuneration policy which rewards senior executives at an appropriate level for delivering against the Company's annual and longer term strategic objectives. The policy is intended to create strong alignment between Executive Directors and shareholders through a heavy focus on the use of equity. The Committee is comfortable that the structure and operation of the policy does not create any environmental, social and corporate governance matters and is managed within an acceptable risk profile.

POLICY TABLE FOR EXECUTIVE DIRECTORS

The table below summarises our policy for each component of Executive Directors' Remuneration and notes any key changes from the policy previously approved at the 2014 AGM and which is in operation until the approval of the new policy at the 2017 AGM:

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	MAXIMUM	PERFORMANCE CRITERIA	KEY CHANGES

• 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.
	• 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. In these circumstances a base salary increase will not exceed 20% p.a.
		• N/A	• In compliance with the latest regulatory guidance we have included a fixed salary cap. All caps have been included to comply with the regulations and do not constitute an aspiration.

FIXED PAY

Benefits

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

OPERATION	MAXIMUM	PERFORMANCE CRITERIA	KEY CHANGES
• 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. • Reasonable business related expenses will be reimbursed (including any tax payable thereon).	• Benefits are positioned at an appropriate market level for the nature and location of the role. Whilst the actual value of benefits may vary from year to year based on third party costs, it is intended that the maximum annual value will not exceed $250,000 or £200,000, per Directors' base currency. • In addition to the above cap, the Company may contribute to relocation expenses up to 100% of salary.	• N/A	• In compliance with the latest regulatory guidance we have included a maximum value cap on benefits. All caps have been included to comply with the regulations and do not constitute an aspiration.

Pension

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

OPERATION	MAXIMUM	PERFORMANCE CRITERIA	KEY CHANGES
• Pension benefits are delivered through contributions to SOCO's money purchase plan up to relevant plan limits and/or a cash supplement.	• 20% of base salary per annum.	• N/A	• No changes.

VARIABLE PAY

Annual Bonus

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

OPERATION	MAXIMUM	PERFORMANCE CRITERIA	KEY CHANGES
• 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. • Bonus payouts are subject to deferral into SOCO shares which vest after a period of not less than two years. At a minimum, deferral will apply to any bonus exceeding 100% of salary. The Committee may require higher levels including deferral of up to 100% of the bonus payout.	• 150% of base salary per annum, including cash and deferred components at the discretion of the Committee.	• 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.	• The policy now specifies that the Committee may apply deferral up to 100% of any earned bonus, as was applied in relation to 2014 and 2015. The previous policy of applying deferral only on any bonus over 100% of salary is now stated as a minimum.

Policy Table (Unaudited) continued

VARIABLE PAY

LTIP

Purpose and link to strategy

Incentivises and rewards for the Company's strategic plan of building shareholder value

OPERATION	MAXIMUM	PERFORMANCE CRITERIA	KEY CHANGES
• Typically a conditional award of shares or a nil price option is made annually, normally 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. • Awards (post of tax) will also be subject to a two-year post-vesting holding period during which they cannot be sold (accept in exceptional circumstances and with the Committee's prior approval).	• 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.	• 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 measures. • 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.	• Formalising the previously agreed inclusion of a post-vesting holding period on vested awards. • The Share Option Plan which previously featured in the remuneration policy, but was not used for Executive Directors, has now been excluded from this policy.

Shareholding guidelines

Purpose and link to strategy

Further increases alignment between Executive Directors and shareholders.

OPERATION	MAXIMUM	PERFORMANCE CRITERIA	KEY CHANGES
• The Board has a policy of requiring Executive Directors to build a minimum shareholding in SOCO shares equivalent to 200% of salary.	• N/A	• N/A	• Formalising the agreed increase from 100% of salary.

NOTES TO THE POLICY TABLE

DISCRETION

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the policy set out above where the terms of the payment were agreed:

- Before the policy came into effect; or
- At a time when the relevant individual was not an Executive Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming an Executive Director of the Company.

For these purposes, (i) 'payments' includes the Committee satisfying awards of variable remuneration and (ii) an award over shares is "agreed" at the time the award is granted.

The Committee will operate the annual bonus, LTIP and share option plan in accordance with the relevant plan rules. In line with best practice the Committee retains discretion on the operation and administration of these plans, including as follows:

- Dividend equivalents may be paid on awards up to the point of vesting.
- Awards will be subject to recovery and withholding provisions and therefore may be reduced at the discretion of the Committee for instances of serious misconduct, an error in calculation, a misstatement of the Company's financial results or for serious reputational damage to the Company (as determined by the Committee). Provisions will apply for a period of three years from date of payment/vesting.
- The Committee may settle an award in cash.
- In the event of a variation of share capital or any other exceptional event which, in the reasonable opinion of the Committee requires an adjustment, the Committee may adjust the number of shares or the exercise price.

- If an event occurs which results in the performance conditions for outstanding incentive plans being no longer appropriate, then the Committee may adjust the measures and/or targets, with the caveat that they will, in the opinion of the Committee, be no less challenging to achieve.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

TAKEOVER OR OTHER EQUIVALENT CORPORATE EVENT

On a takeover or other equivalent corporate event, outstanding deferred bonus awards will vest in full as soon as practicable after the date of the event, unless the Committee determines otherwise. For outstanding LTIP and share option awards, on a takeover or other equivalent corporate event, generally the performance period will end on the date of the event. The Committee will determine the extent to which performance conditions have been achieved at this point, taking into account relevant factors as appropriate. Unless the Committee determines otherwise, awards will generally vest on a time pro-rata basis taking into account the shortened performance period. Alternatively, outstanding LTIP and share option awards may be subject to rollover, with the agreement of the acquiring company.

MINOR CHANGES

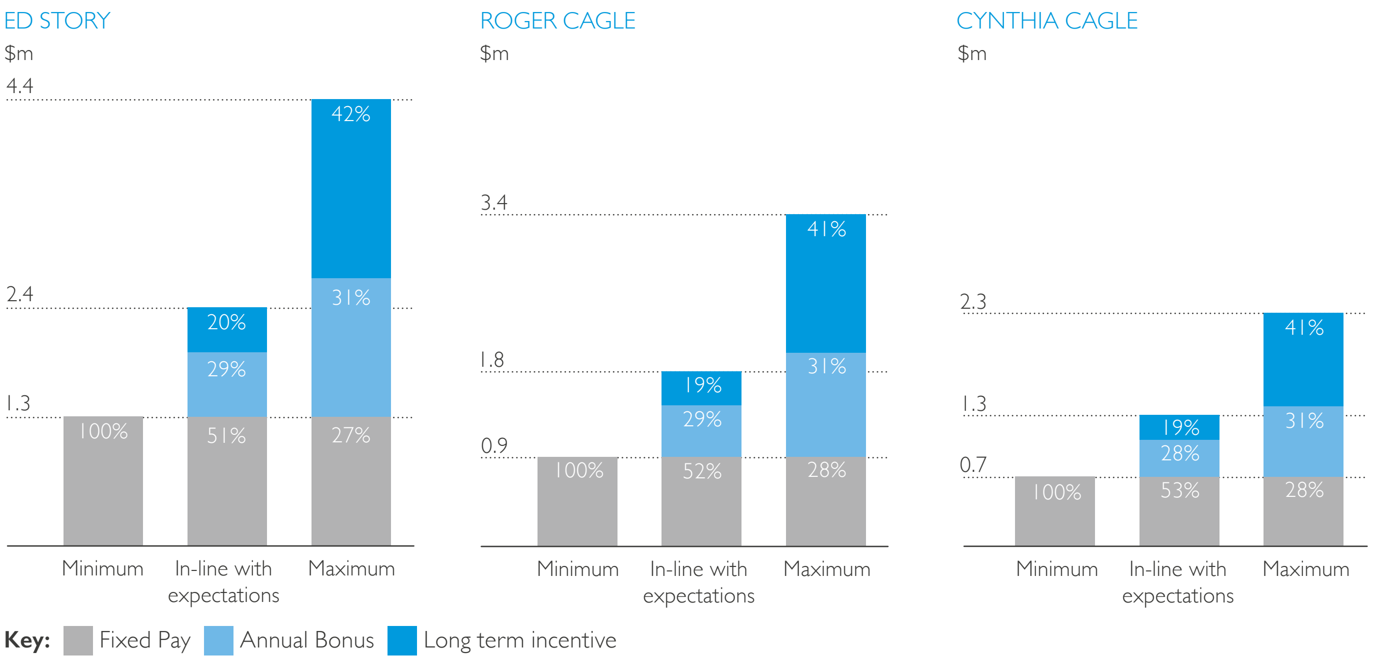
The Committee may make minor amendments to the policy set out in this report (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for the amendment.

PERFORMANCE MEASURES AND TARGET SETTING

The policy table for Executive Directors above describes the policy for setting performance measures used for the annual bonus and LTIP, which are intended to ensure that executives are appropriately focused on the successful delivery of the strategic plan over both the short and medium term. When setting the relevant performance targets, the Committee will take into account a number of internal and external reference points that are linked to SOCO's strategic priorities, as well as the economic environment.

ILLUSTRATION OF POLICY

The charts below illustrate the application of the Remuneration Policy set out in the Policy Table for the Executive Directors.



The assumptions used for the above charts are overleaf.

Policy Table (Unaudited) continued

LEVELS OF PERFORMANCE	ASSUMPTIONS	
Fixed pay	All scenarios	Total fixed pay comprises base salary, benefits and pension.
		Base salary – effective as at 1 January 2017.
		Benefits – value received by each director in 2016.
		Pension – 15% of salary, the benefit currently set for all Executive Directors.
Variable pay	Minimum performance	No payout under the annual bonus and no vesting under the LTIP.
	Performance in line with expectations	50% of the maximum payout under the annual bonus (i.e. 75% of salary).
		25% vesting under the LTIP (i.e. 50% of salary).
	Maximum performance	100% of maximum payout under the annual bonus (i.e. 150% of salary).
		100% of maximum vesting under the LTIP (i.e. 200% of salary).

LTIP awards have been shown at face value with no dividend, share price growth or discount rate assumptions.

DIFFERENCES IN REMUNERATION POLICY FOR EXECUTIVE DIRECTORS COMPARED WITH OTHER EMPLOYEES

As for our Executive Directors, it is intended that a meaningful amount of employee pay is weighted towards variable remuneration. All employees participate in the annual bonus plan, with the emphasis between corporate and individual goals dependent on the role and its level of direct influence on SOCO's Group-wide results. All employees have an opportunity to share in the success of the Company through participation in the share option plan which, for this purpose, is operated similarly to an all employee share scheme. The Executive Directors do not receive awards under the share option plan. Individuals with the greatest ability to directly influence SOCO's Group-wide results may also receive additional discretionary awards under the share option plan or the LTIP.

POLICY TABLE FOR NON-EXECUTIVE DIRECTORS

COMPONENT	SOCO'S APPROACH
Chairman fees	Comprises an all-inclusive fee for Board and Committee positions. Determined by the Remuneration Committee and approved by the Board.
Non-Executive Director	Comprises a basic fee in respect of their Board duties. Further fees may be paid in respect of additional Board or Committee roles. Recommended by the Chairman and Chief Executive Officer and approved by the Board.
Other	In the event of a temporary but material increase in the time commitment required, fees may be increased on a pro-rata basis to reflect the additional workload. Reasonable business related expenses will be reimbursed (including any tax payable thereon).

No Director plays a role in determining their own remuneration. The Committee consults with the CEO in determining the Chairman's fee. Fees for all Non-Executive Directors reflect the time commitment and responsibilities of the role, and are set at a level sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to carry out its duties. The fees set out above are the sole element of Non-Executive Director remuneration. They are not eligible for participation in the Company's incentive or pension plans.

The fees have been set within the aggregate limits set out in the Company's Articles of Association (currently £800,000) and approved by shareholders.

APPROACH TO REMUNERATION ON RECRUITMENT

PRINCIPLES

On the appointment of a new Executive Director, we seek to apply the following principles when determining the remuneration arrangements:

- The package should be competitive to facilitate the recruitment of individuals of the calibre needed to shape and execute SOCO's strategy and build shareholder value.
- The Committee reserves the right not to apply the caps contained within the policy table for fixed pay, either on joining or for any subsequent review within the policy period, although, in practice, the Committee does not envisage exceeding these caps.
- The Committee will consider all relevant factors as appropriate. This may include, but is not limited to, the calibre and experience of the individual, market practice and the current remuneration policy. The Committee will be mindful that any arrangements must be structured in the interests of SOCO's shareholders without paying more than is necessary.
- Typically, a new appointment will have (or be transitioned onto) the same framework that applies to other Executive Directors as set out in the policy table above. Salaries would reflect the skills and experience of the individual, and may be set at a level to allow future salary progression to reflect development and performance in the role.
- An Executive Director may initially be hired on a contract requiring up to 24 months' notice which then reduces pro-rata over the course of the first year of the contract, to requiring not more than 12 months' notice.
- It would be expected that the structure and quantum of the variable pay elements would reflect those set out in the Policy Table for Executive Directors.
- Depending on the timing of appointment it may be necessary to set different performance measures and targets to those used for existing Executive Directors, although this would only be expected to operate for the remainder of the first financial year of appointment.

In the remuneration report following appointment, the Committee will explain the rationale for any such relevant arrangements.

The Committee retains discretion to make appropriate remuneration decisions outside the standard policy to meet the individual circumstances of recruitment when:

- An interim appointment is made to fill an Executive Director role on a short term basis.
- Exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short term basis.

BUY-OUTS

To facilitate recruitment, the Committee may make compensatory payments and/or awards for any remuneration arrangements subject to forfeit on leaving a previous employer. Such payments or awards could include cash as well as performance and non-performance related share awards, and would be in such form as the Committee considers appropriate taking into account all relevant factors such as the form, expected value, timing, impact of any performance conditions and the anticipated vesting of the forfeited remuneration. There is not a specified limit on the value of such awards, but the estimated value awarded would be equivalent to the value forfeited.

RECRUITMENT OF NON-EXECUTIVE DIRECTORS

On the appointment of a new Chairman or Non-Executive Director, remuneration arrangements will be consistent with the policy set out in this report.

POLICY ON PAYMENT FOR LOSS OF OFFICE

Where an Executive Director leaves employment, the Committee's approach to determining any payment for loss of office will normally be based on the following principles:

- The Committee's objective is to find an outcome which is in the best interests of both SOCO and its shareholders while taking into account the specific circumstances of cessation of employment.
- The Committee must satisfy any contractual obligations agreed with the Executive Director. This is dependent on the contractual obligations (i) not being in contradiction with the policy set out in this report, or (ii) if so, not having been entered into on a date later than 27 June 2012, in accordance with the relevant legislation.
- The Committee may seek to compromise any claims made against the Company in relation to a termination and reserves the right to pay reasonable legal fees and/or for outplacement services if considered necessary.
- The Committee may make an annual bonus payment for the year of cessation depending on the reason for leaving. Typically, the Committee will take into consideration the period served during the year and the individual's performance up to cessation. Any such payment is at the discretion of the Committee.
- The treatment of outstanding share awards will be governed by the relevant plan rules as set out in the table overleaf.

Policy Table (Unaudited) continued

PLAN	AUTOMATIC GOOD LEAVER CATEGORIES	TREATMENT FOR GOOD LEAVERS	TREATMENT FOR ALL OTHER REASONS FOR LEAVING
Deferred Bonus	• Death. • Ill-health, injury or disability. • Redundancy. • Retirement with agreement of the employer. • Any other reason as determined at the discretion of the Committee.	• Awards will usually vest on the normal vesting date. • The Committee retains the discretion to accelerate vesting so that awards vest as soon as practicable following cessation.	• Awards will normally lapse in full (unless otherwise determined by the Committee).
LTIP and share option plan	• Death. • Ill-health, injury or disability. • Redundancy. • Retirement with agreement of the employer. • Any other reason as determined at the discretion of the Committee.	• The Committee will determine the proportion of the award that will vest, normally taking into account the achievement of the relevant performance conditions at the vesting date and the time elapsed between the date of grant and cessation of employment. • The vesting date for such award will normally be the original vesting date, although the Committee has the flexibility to determine that awards can vest upon cessation of employment. • Where options are granted, vesting options will be exercisable within a period of six months, or twelve months in the event of death, commencing on the date on which such options vest (being either the date of cessation or the original vesting date as determined by the Committee as per above). • The Committee has the discretion to vary the period in which vested options are exercisable.	• For grants under the share option plan, vested options will remain exercisable for six months. • All other awards will normally lapse in full (unless otherwise determined by the Committee).

SERVICE CONTRACTS

Executive Directors' contracts are for an indefinite period and are terminable by either party on giving one year's notice, which may be satisfied with a payment in lieu of notice. The contracts do not contain specific termination provisions.

The Committee has a duty to prevent the requirement to make payments that are not strictly merited, and endorses the principle of mitigation of damages on early termination of a service contract. Any payment on early termination will be assessed on the basis of the particular circumstances, but in any event will not be in respect of any period beyond the notice period specified by the contract.

The Non-Executive Directors' appointments are terminable at the will of the parties but are envisaged to establish an initial term of three years after which they will be reviewed annually.

The Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are available at the Company's registered office.

CONSIDERATION OF PAY AND EMPLOYMENT CONDITIONS ELSEWHERE IN SOCO

The Committee monitors the remuneration of senior management and makes recommendations as deemed appropriate. Pay and employment conditions elsewhere in the Company are taken into account to ensure the relationship between the pay of the Executive Directors and its employees is consistent throughout the Company. Similar benchmarking techniques are applied to non-Board employees using relevant market data and the Committee monitors staff remuneration packages during the review of Executive Directors' remuneration packages.

The Committee does not consult with employees when formulating the remuneration policy for Executive Directors.

CONSIDERATION OF SHAREHOLDER VIEWS

The Committee takes an active interest in shareholder views and these help shape the structure of the Directors' remuneration arrangements at SOCO. As a significant shareholder, Mr Rui de Sousa (SOCO's Chairman) would generally be invited to attend Remuneration Committee meetings to provide valuable insight into likely shareholder concerns around executive remuneration.

The Committee also monitors published shareholder guidelines and will incorporate further requirements and best practice features as appropriate.

Annual Report on Remuneration (Audited section)

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 2016. It also provides comparative figures for 2015:

	2016						2015					
	FEES/ SALARY $000'S	BENEFITS[1] $000'S	BONUS $000'S	LTIP[2] $000'S	PENSION $000'S	TOTAL $000'S	FEES/ SALARY $000'S	BENEFITS[1] $000'S	BONUS[3] $000'S	LTIP[2] $000'S	PENSION $000'S	TOTAL $000'S
EXECUTIVE												
E Story	924	200	485	270	139	2,018	924	151	1,040	621	139	2,875
R Cagle	693	114	364	202	104	1,477	693	94	780	466	104	2,137
C Cagle	473	96	248	138	71	1,026	473	76	532	318	71	1,470
NON-EXECUTIVE[4]												
R de Sousa	258	–	–	–	–	258	290	–	–	–	–	290
O Barbaroux	68	3	–	–	–	71	76	3	–	–	–	79
R Cathery[5]	30	–	–	–	–	30	76	2	–	–	–	78
E Contini	68	–	–	–	–	68	76	–	–	–	–	76
M Daryabegui[5]	55	1	–	–	–	56	76	1	–	–	–	77
R Gray	81	–	–	–	–	81	92	–	–	–	–	92
A Monteiro	75	4	–	–	–	79	84	5	–	–	–	89
J Norton[5]	30	–	–	–	–	30	76	–	–	–	–	76
M Watts	75	–	–	–	–	75	84	–	–	–	–	84
Total	2,830	418	1,097	610	314	5,269	3,020	332	2,352	1,405	314	7,423

[1] The benefits receivable by Executive Directors include private medical insurance, permanent health insurance, life assurance cover, critical illness cover, travel and expatriate benefits and car benefits. The benefits column for Non-executive Directors has been updated to include taxable travel and accommodation expenses to attend Board functions in the year, and the tax payable thereon, in accordance with changes in HMRC guidance.

[2] The near term average exchange rate at the end of the performance period of 1.27 has been used to convert share price from GB pounds to US dollars. The same exchange rate has been used for both 2016 and 2015 to ensure consistency between periods.

[3] The 2015 bonus was awarded under the deferred share bonus plan. The near term average exchange rate at date of award of 1.50 has been used to convert share price from GB pounds to US dollars.

[4] Non-Executive Directors' fees are set in GB pounds and are reported in US dollars at the annual average exchange rate.

[5] Fees paid to R Cathery, M Daryabegui and J Norton in 2016 are in proportion to their dates of service.

The aggregate emoluments of all Directors during the year was $4.6m.

NOTES TO THE SINGLE FIGURE TABLE

ANNUAL BONUS

Setting Measures

The Company seeks to set challenging, yet achievable, performance measures designed to link pay to performance against the Company's core strategic objectives:

- RO Recognising Opportunity
- CP Capturing Potential
- RV Realising Value

The performance measures were chosen to ensure that Executives are focused on the near term objectives that build the long term delivery of value to shareholders, which results in an emphasis on strategic goals. While we monitor SOCO's performance with a broader mix of financial and non-financial KPIs, the measures impacting the annual bonus emphasise those deemed most relevant to management performance, and take into account the annual budget and the prevailing economic environment.

As outlined in the Chairman's letter, the Committee considered 2016 annual bonus awards in light of the continued impact of the challenging oil price environment on the Company's shareholders. In order to moderate the bonus outturn, the Committee agreed with Management's recommendation that no bonus would be awarded on progress made against business development metrics. Additionally, the Committee applied a discretionary downward adjustment. As a result, Executive bonuses were awarded at 35% of maximum, reduced from award levels of 80% and 75% of maximum for 2014 and 2015, respectively. Being reduced, and well below the level at which deferral applies in accordance with the approved policy, bonuses were awarded in cash. This is the first year since 2013 that Executives have received a cash award for any element of variable pay. The Committee was satisfied with the results of the assessment.

Annual Report on Remuneration (Audited section) continued

2016 ANNUAL BONUS MEASURES AND OUTTURNS

The table below sets out the performance assessed against the weighted measures described in the 2015 Remuneration Report, and identifies the link from each of these measures to our core strategy.

METRIC	WEIGHT	PERFORMANCE			BONUS AWARDED
		THRESHOLD	TARGET	MAXIMUM	
BUSINESS DEVELOPMENT & GROWTH	40%				0%
RO **Diversification of Asset Base**	40%				0%
Target	Pursue growth opportunities targeting key identified strategic objectives.				
Performance	Actively reviewed acquisition opportunities throughout 2016; Developed key identified strategic objectives; Pipeline of opportunities developed; Viable options explored and appropriate no-go decisions taken; Robust process and resource established for review of future opportunities; In-house capability strengthened through new Business Development team.				
Outturn	The Committee recognised significant activity, strong progress and an established platform to continue impetus through 2017. However, the Committee agreed with Management's recommendation for a nil award on the basis of progress without delivering an approved growth opportunity.				
SOUTHEAST ASIA	25%				20%
RV **Production**	5%				0%
Target	10% above budget.				
Performance	Production exceeded budget by only 2%.				
Outturn	Despite exceeding budget, no threshold bonus was awarded.				
CP **Partner Alignment**	10%				10%
Target	Partnership commitment to invest in the next phase of TGT development drilling.				
Performance	Partners advanced the assessments and formal plans required for Governmental approval to re-initiate development activity; All partners reviewed the Full Field Development Plan ('FFDP') in 1H 2016; Final FFDP, which sets out field development options and facilities to increase water-handling capacity, was formally submitted for Government approval in 2H 2016; After almost two years without drilling activity, the TGT drilling programme was authorised and commenced in 2016, in advance of formal FFDP approval. The FFDP has now been formally approved.				
Outturn	The metric was fully achieved with the commitment to invest, and exceeded with the early commencement.				
CP **CNV Reservoir Plan**	5%				5%
Target	Successful execution of CNV reservoir plan converting from water drive to gas drive.				
Performance	Partner and governmental approval was obtained, and the field was successfully converted to gas drive.				
RO **New Venture**	5%				5%
Target	Finalise terms of Production Sharing Agreement over Blocks 125 & 126.				
Performance	Negotiations were concluded and favourable terms agreed with PetroVietnam.				
Outturn	The metric was achieved with the conclusion of negotiations, and considered exceeded in terms achieved.				
AFRICA	15%				7.5%
CP **Rationalise Value**	15%				7.5%
Target	Progress the rationalisation of value in the Africa portfolio.				
Performance	Extension granted over the Marine XI licence; Secured 20-year Lidongo Permit; Interpretation over 3D seismic data completed with new leads identified; Progressed Government discussions around development options; Progressed negotiations over improved licence terms.				
Outturn	Target progress was achieved. Above target award was not considered warranted without further progressing a final consortium and development option.				

2016 ANNUAL BONUS MEASURES AND OUTTURNS CONTINUED

METRIC		WEIGHT	PERFORMANCE			BONUS AWARDED
			THRESHOLD	TARGET	MAXIMUM	
CORPORATE		10%				10%
RV **Sustainable Return of Capital**		5%				5%
Target	Deliver the strategy for a sustainable return of capital.					
Performance	Outperformed budget against financial KPIs deemed most relevant to management performance, without the impact of commodity price, including revenue BOEPD, cash operating costs per barrel and cash flow from operations. Retained a strong balance sheet, with year-end cash exceeding budget (excluding Financial Asset, assessed as a separate metric below) and no debt. Delivered a fully funded capital expenditure programme, and returned 4 pence per share in cash dividends.					
Outturn	The Committee was satisfied this metric was fully achieved.					
CP **Rationalise Costs**		5%				5%
Target	Deliver MPS programme below budget, while operating safely; reduce Africa annual running costs; reduce Vietnam JOC operating costs.					
Performance	The MPS deep water drilling programme, accounted for as an onerous contract in 2015, was executed at $5.3m under budget with no lost time injuries. Africa running costs were reduced through office closures, and reduction of staff and outside services. JOC operating costs were reduced in 2016, with a further reduction budgeted for 2017.					
Outturn	The Committee considered that all targets were met, with the MPS costs reductions far exceeding expectations.					
CP **ESG Performance**		DISCRETION				0%
Target	Excellence in ESG performance against the scorecard of goals published as planned activities in the 2015 Annual Report.					
Performance	Detail of performance against ESG objectives and KPIs is set out in the CSR report.					
Outturn	For 2016, the Committee determined that any bonus for ESG performance would be weighted as a potential inflator/deflator at the discretion of the Committee, considering both performance and the duty to operate safely. The CSR report indicates a high level of achievement against objectives and KPI measures, and therefore the Committee did not consider applying a deflator. An inflator was not applied in consideration of the overall bonus quantum in the prevailing economic environment.					
FINANCIAL ASSET		10%				5%
RV **Monetise Mongolia Financial Asset**		10%				5%
Target	Collection of $52.7m Subsequent Payment Amount associated with SOCO's 2005 sale of Mongolian assets to Daqing Oilfield Limited Company ('Daqing').					
Performance	In accordance with the terms of the sale agreement, the first tranche became payable in Q1 2016 and the full amount was payable by Q4 2016. By the end of 2016, Daqing had confirmed that the full amount was due and payable, remitted $10m partial payment to demonstrate intent to honour the obligation and committed to fully perform by the end of Q1 2017.					

TOTAL ASSESSMENT	**100%**	**42.5%**
DISCRETIONARY ADJUSTMENT		**(7.5%)**
FINAL APPROVED OUTTURN	**100%**	**35%**

Annual Report on Remuneration (Audited section) continued

The table opposite sets out the annual bonuses awarded to Executive Directors in respect of performance in 2016 following the assessment process described above:

2016 ANNUAL BONUS	$000S	% OF MAXIMUM
E Story	485	35%
R Cagle	364	35%
C Cagle	248	35%

LTIP AWARDS VESTING IN RESPECT OF 2016

The LTIP value shown in the single figure table relates to the LTIP award granted in December 2013, which vested in January 2017 following testing of SOCO's relative TSR performance for the three year period ended 6 December 2016 against a group of comparator companies. Although they were not awarded subject to a holding period, the Executive Directors voluntarily committed to a further two year holding period.

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 respect of 2016 as a result:

		PERFORMANCE AGAINST COMPARATOR GROUP
Vesting schedule	25% vesting	Median (50th percentile)
	100% vesting	Upper 16th
Actual vesting	46%	60th percentile

LTIP AWARDS GRANTED IN RESPECT OF 2016

LTIP awards in respect of a financial year are generally made in December of that year, or in the following January. The awards in respect of 2016 were made in January 2017. In the interests of transparency, those grants made in 2017 in the form of conditional share awards to Executive Directors in respect of 2016 are summarised in the table below.

	DATE OF GRANT	NUMBER OF SHARES GRANTED	FACE VALUE[1] (£000S)	FACE VALUE[1] (% OF SALARY)	THRESHOLD VESTING (% OF FACE VALUE)	END OF PERFORMANCE PERIOD
E Story	25.01.17	966,500	1,479	200%	25%	25.01.20
R Cagle	25.01.17	724,900	1,109	200%	25%	25.01.20
C Cagle	25.01.17	494,300	756	200%	25%	25.01.20

[1] Face value is calculated using the last closing share price preceding the date of grant of £1.53. The exchange rate at grant of 1.25 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. The Committee continues to consider TSR as good measure of long term performance as it measure the relative return to shareholders. 25% of the awards will vest for median performance, with full vesting for achievement of the upper 16th of the comparator group. Pro-rating applies between these points and between ranking positions. Following vesting, shares are subject to a further two-year holding period.

2016 TSR COMPARATOR GROUP			
Bowleven	Gulf Keystone	Ophir Energy	Santos
Cairn Energy	JKX Petroleum	Oryx Petroleum	Seplat Petroleum
DNO International	Lundin Petroleum	Petroceltic	Sterling Energy
Enquest	Maurel & Prom	Premier Oil	Transglobe
Faroe Petroleum	Newfield Exploration	Regal Petroleum	Tullow Oil
Genel Energy	Niko Resources	Rockhopper	Vaalco

DIRECTORS' INTERESTS AS AT 31 DECEMBER 2016

The Board has a policy requiring Executive Directors to build a minimum shareholding of 200% of their annual salary. Additionally, LTIP awards require a two year holding period following vesting. 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 2016:

	SHAREHOLDING REQUIREMENT		BENEFICIALLY OWNED SHARES	AWARDS SUBJECT TO PERFORMANCE CONDITIONS[5,9]	AWARDS VESTED	AWARDS SUBJECT TO SERVICE CONDITIONS
	(% of salary)	Achieved (Yes/No)				
EXECUTIVE						
E Story[1]	200%	Yes	13,633,267	1,653,711	–	502,533
R Cagle[2,4]	200%	Yes	5,415,243	1,240,944	–	376,926
C Cagle[3,4]	200%	Yes	3,135,226	846,639	–	257,093
NON–EXECUTIVE						
R de Sousa[6]	–	–	9,648,324	–	–	–
O Barbaroux	–	–	88,000	–	–	–
E Contini[7]	–	–	29,000,000	–	–	–
R Gray	–	–	–	–	–	–
A Monteiro	–	–	–	–	–	–
M Watts[8]	–	–	115,533	–	–	–

[1] 11,958,267 Shares are held personally by Mr E Story. 1,675,000 Shares are held through The Story Family Trust, a closely associated person to Mr E Story.
[2] 556,074 Shares are held personally by Mr R Cagle. 4,920,585 Shares are held through C Minor Ltd, a closely associated person to Mr R Cagle.
[3] 371,825 Shares are held personally by Ms C Cagle. 2,804,039 Shares are held through C Major Ltd, a closely associated person to Ms C Cagle.
[4] Mr R Cagle and Ms C Cagle are closely associated 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 closely associated person of Mr R Cagle and Ms C Cagle and they are deemed to have a non-beneficial interest in 1,148,129 Shares held by the Charity.
[5] LTIP awards potentially vesting in 2016, vested in January 2017 as described on page 78 and, upon release and settlement of related tax liabilities, E Story, R Cagle and C Cagle became interested in 83,117, 61,416, and 40,638 Shares, respectfully.
[6] 550,000 Shares are held personally by Mr de Sousa. 8,708,820 Shares are held through Palamos Ltd and 389,504 Shares are held by Quantic Limited, both being closely associated persons to Mr de Sousa.
[7] 220,000 Shares are held personally by Mr E Contini. 28,780,000 Shares are held through Liquid Business Ltd, a closely associated person to Mr Contini.
[8] Dr M Watts retired from the Board on 31 January 2017.
[9] As the LTIP awards made in respect of 2016 post-date 31 December 2016, they are excluded from the above table. Details of those awards are included on page 76.

While the Executive Directors, as potential beneficiaries, are technically deemed to have an interest in all ordinary shares held by the SOCO Employee Benefit Trust ('Trust'), the table above only includes those ordinary shares held by the Trust which are potentially transferable to the Directors and their families pursuant to Options which have been granted to them under the Company's incentive schemes. Details of the Trust and its holdings are set out in Note 28 to the Financial Statements.

There have been no changes to the Directors' interests subsequent to 31 December 2016 other than as described in the notes to the table above.

Annual Report on Remuneration (Unaudited section)

SHARE AWARDS OUTSTANDING AT 31 DECEMBER 2016

	TYPE OF AWARD	AS AT 1 JAN 2016	GRANTED/ AWARDED[1]	ADJUSTED[2]	RELEASED[5]	LAPSED	AS AT 31 DEC 2016	DATE POTENTIALLY VESTED[3,4]	EXPIRY DATE
E Story	LTIP	375,581	–	–	360,557	15,024	–	–	–
	LTIP	304,305	–	9,025	–	–	313,330	6.12.16	–
	LTIP	477,491	–	14,162	–	–	491,653	15.12.17	–
	LTIP	–	823,000	25,728	–	–	848,728	8.01.19	
	DSBP	301,989	–	8,957	310,946	–	–	–	–
	DSBP	–	487,300	15,233	–	–	502,533	8.01.18	–
R Cagle	LTIP	281,685	–	–	270,417	11,268	–	–	–
	LTIP	228,507	–	6,777	–	–	235,284	6.12.16	–
	LTIP	358,382	–	10,629	–	–	369,011	15.12.17	–
	LTIP	–	617,350	19,299	–	–	636,649	8.01.19	
	DSBP	226,624	–	6,721	233,345	–	–	–	–
	DSBP	–	365,500	11,426	–	–	376,926	8.01.18	–
C Cagle	LTIP	192,090	–	–	184,406	7,684	–	–	–
	LTIP	156,054	–	4,628	–	–	160,682	6.12.16	–
	LTIP	244,543	–	7,253	–	–	251,796	15.12.17	–
	LTIP	–	421,000	13,161	–	–	434,161	8.01.19	
	DSBP	154,420	–	4,580	159,000	–	–	–	–
	DSBP	–	249,300	7,793	–	–	257,093	8.01.18	–

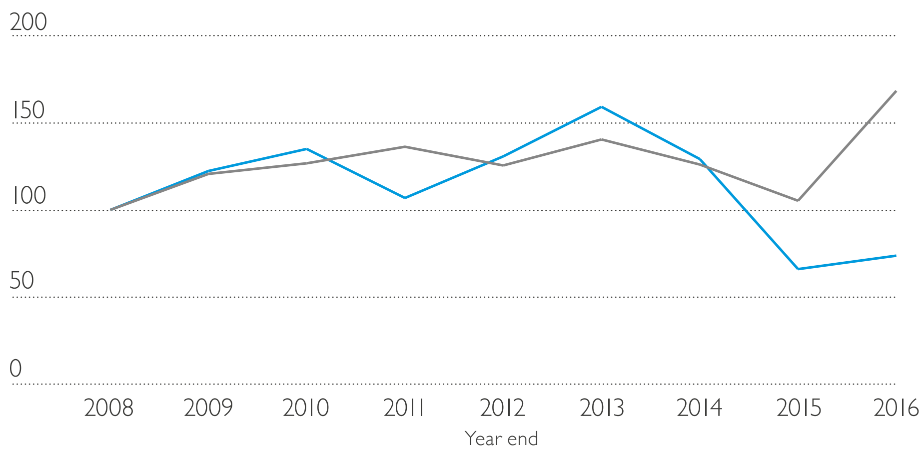
1 Although made following the year-end, awards in respect of 2016 made in January 2017 are set out on page 76.
2 Outstanding awards under the Company's share schemes were adjusted for dividend equivalents in accordance with plan rules (see Note 31 to the Financial Statements).
3 LTIP awards vest subject to SOCO's relative TSR performance against a group of comparator companies as set out in the table on page 77 and subject to a further holding requirement. DSBP awards vest subject to continued service over a two year vesting period.
4 LTIP awards potentially vesting in 2016, vested in January 2017 as described on page 76 and are included in the single figure table in respect of 2016 on page 73.
5 LTIP awards were released to E Story, R Cagle and C Cagle in August 2016 over ordinary shares at a market price of £1.511 resulting in a gain on release of £0.5m, £0.4m and £0.3m, respectively. DSBP awards were released at the end of a two year vesting period to E Story, R Cagle and C Cagle in December 2016 over ordinary shares at a market price of £1.4275 resulting in a gain on release of £0.4m, £0.3m and £0.2m, respectively.

HISTORICAL TSR PERFORMANCE AND CEO OUTCOMES

TSR PERFORMANCE

The chart opposite illustrates SOCO's eight 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 (£)



CEO OUTCOMES

The table below shows the total remuneration paid to the CEO over the same eight 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	2015	2016
CEO single figure of remuneration ($000s)[1]	1,930	1,466	2,362	2,992	3,154	3,659	2,875	2,018
Annual bonus payout (% of maximum)	50%	25%	100%	100%	100%	80%	75%	35%
LTIP vesting (% of maximum)	59%	34%	53%	71%	66%	100%	96%	46%

[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.

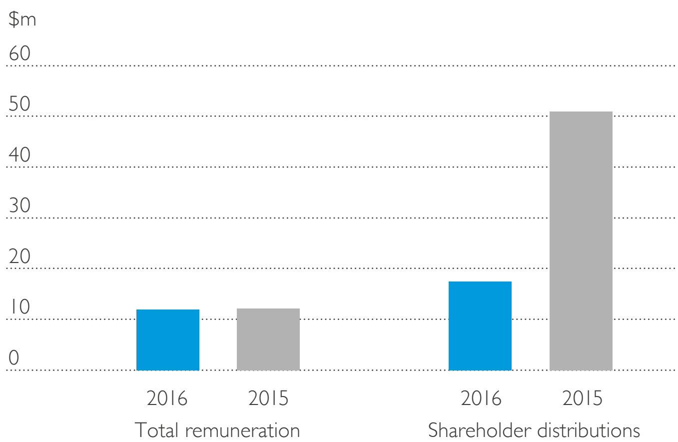
	% CHANGE IN BASE SALARY (2016/2015)	% CHANGE IN BENEFITS (2016/2015)[1]	% CHANGE IN ANNUAL BONUS (2016/2015)[2]
CEO	0%	34%	-53%
All other employees	2%	33%	-41%

[1] There have been no changes to the Company's benefits packages during the year. Variances reflect other factors, including increased programme costs, employee demographics and the level to which available allowances are applicable and 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 2016.

RELATIVE IMPORTANCE OF SPEND ON PAY

The chart below illustrates the year on year change in total remuneration as per Note 12 to the Financial Statements compared to the change in shareholder returns, which would include capital returns, dividends and share buybacks.



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 2016 in the amount of $80,000 (2015: $96,000).

IMPLEMENTATION FOR 2017

BASE SALARY

Executive Directors' salaries have not been increased for 2017.

	2017 BASE SALARY $000S	2016 BASE SALARY $000S	% INCREASE FROM 2015
E Story	924	924	0%
R Cagle	693	693	0%
C Cagle	473	473	0%

BENEFITS

For 2017, benefits available to Executive Directors will be consistent with those set out in the policy and provided in 2016 as described above.

Annual Report on Remuneration (Unaudited section) continued

ANNUAL BONUS

It is intended that annual bonus awards will be considered for Executive Directors in December 2017. The maximum total bonus opportunity is 150% of salary, including cash and deferred components in accordance with the approved policy. The table below sets out the weighted performance measures which will be applied in determining annual bonus awards for 2017, and identifies the link from each of these measures to our core strategy of:

RO Recognising Opportunity CP Capturing Potential RV Realising Value

METRIC	WEIGHT	MEASUREMENT
BUSINESS DEVELOPMENT & GROWTH	40%	
RO **Diversification of asset base**	40%	Key identified strategic objectives.
SOUTHEAST ASIA	30%	
RV **Production**	10%	Programme objectives, budget and sensitivities.
CP **TGT development programme**	15%	Programme objectives, milestones and budget.
RO **Blocks 125 & 126**	5%	Project milestones and budget.
AFRICA	10%	
CP **Africa portfolio programmes**	10%	Programme objectives and budget.
CORPORATE	20%	
RV **Sustainable return of capital**	10%	Strategic objectives for balancing growth, capital discipline and shareholder returns.
CP **ESG performance**	5%	ESG scorecard of goals and KPIs.
RV **Financial asset**	5%	Monetisation measures.
TOTAL ASSESSMENT	**100%**	

Details of how the Committee assessed the performance against these weighted measures will be set out in the 2017 Remuneration Report. 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, as well as the prevailing economic environment.

LTIP

It is intended that grants in respect of 2017 will be made to Executive Directors in December 2017, or early in 2018, 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 2017, 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.

MALUS AND CLAWBACK PROVISIONS

All variable pay arrangements are subject to provisions which enable the Committee to reduce vesting, or recover value delivered if certain circumstances occur. These circumstances include serious misconduct, an error in calculation, misstatement of the Company's financial results or serious reputational damage to the Company (as determined by the Committee).

PENSION

For 2017, 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, which have been set within the aggregate limits set out in the Company's Articles of Association and approved by shareholders have not been reviewed and therefore remain as set out in the table below.

	FEE FROM 1 JANUARY 2017	FEE FROM 1 JANUARY 2016
Chairman of the Company	£190,000	£190,000
Non-Executive Director	£50,000	£50,000
Additional fee: Senior Independent Director	£10,000	£10,000
Additional fee: Chairman of Audit & Risk Committee	£5,000	£5,000
Additional fee: Chairman of Remuneration Committee	£5,000	£5,000

For 2017, benefits available to Non-Executive Directors will be consistent with those set out in the policy and provided in 2016 as described above. 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. The Committee additionally received assistance from other Non-Executives.

The Committee has appointed FIT Remuneration Consultants LLP ('FIT') as its remuneration advisors, and fees of £24,000 were paid in 2016 for their advisory services. FIT is a member of the Remuneration Consultants Group and complies with their professional code of conduct. FIT was originally selected to provide project-based advice related to group remuneration, following a robust review and due diligence process. Their appointment in January 2016 as the Committee's advisors was on the basis of that selection process, along with the high quality of advice delivered. FIT do not provide any other services to the Group which, along with FIT's credentials and proven performance, contributes to the Committee's view that the advice received has been appropriate, objective and independent.

The Committee reviews all aspects of remuneration on an annual basis and with respect to individual and corporate performance during the year. The review is aided by comparison to published data on executive pay in the sector and in similar sized companies. More detailed benchmarking may be conducted, such as upon an indication of a change in market ranges, with results being monitored for indications of potential unwarranted upward ratcheting. The Committee receives regular updates on evolving regulatory and market practice including market trends, key developments, and a broad range of published principles and guidelines.

During the year, the Committee conducted a detailed review of its policies in preparation for submitting its Remuneration Policy Report for shareholder approval at the 2017 Annual General Meeting. The Committee takes into account pay conditions elsewhere in the Company, and considered matters related to group remuneration.

SHAREHOLDER VOTING

The remuneration policy and the Directors' remuneration report received the following votes from shareholders at the last AGM at which each respective resolution was moved:

	REMUNERATION POLICY		REMUNERATION REPORT	
	VOTES	%	VOTES	%
Votes in favour	156,162,798	98.4%	187,794,737	90.8%
Votes against	2,497,723	1.6%	18,999,076	9.2%
Total Votes	158,660,521	100%	206,793,813	100%
Votes Withheld	22,800,060	–	618,338	–

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).

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

António Monteiro
Remuneration Committee Chairman

22 March 2017

Financial Statements

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 2016 and of the group's loss 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 that we have audited comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Group and Parent Company Balance Sheets;
- the Group and Parent Company Cash Flow Statements;
- the Group and Parent Company Statements of Changes in Equity; and
- the related Notes 1 to 36.

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.

SUMMARY OF OUR AUDIT APPROACH

KEY RISKS	The key risks that we identified in the current year were: • Impairment of Producing Oil & Gas Assets • Impairment of Intangible Exploration & Evaluation Assets • Oil & Gas Reserves and Contingent Resource Estimates • Accounting for Depletion, Depreciation and Amortisation ('DD&A') of Producing Oil & Gas Assets The risks included within our report are consistent with those included in our 2015 audit report, except for the removal of the Fair Valuation of the Mongolia Financial Asset significant risk which is discussed further below.
MATERIALITY	The materiality that we used in the current year was $12 million which was determined on the basis of 1.5% of net assets.
SCOPING	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 London, together with the head office function 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.
SIGNIFICANT CHANGES IN OUR APPROACH	The fair valuation of the Mongolia Financial Asset is no longer considered a key risk following the full receipt of the funds subsequent to year end.

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

GOING CONCERN AND THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within Note 2 to the Financial Statements and the directors' statement on the longer-term viability of the group contained within the strategic report on page 31.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 31 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 26 to 31 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in Note 2 to the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and
- the directors' explanation on page 31 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.

INDEPENDENCE

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards

We confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Independent Auditor's Report continued

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.

The significant risk associated with the fair valuation of the Mongolia Financial Asset has been downgraded to a normal risk following the full receipt of the funds subsequent to year end. As such we no longer consider there to be a material judgement associated with the fair valuation of the Financial Asset at year end.

IMPAIRMENT OF PRODUCING OIL & GAS ASSETS

RISK DESCRIPTION

The value of property, plant and equipment relating to the Group's producing oil and gas assets as at 31 December 2016 was $690.0 million (2015: $759.7 million). This is considered a significant risk due to the significant judgements and estimates involved in assessing whether any impairment, or impairment reversal, has arisen at year-end, and in quantifying any such impairments or reversals.

Management reviewed both of its producing fields in Vietnam 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 and gas prices;
- reserves estimates and production profiles;
- the incremental value of contingent resources; and
- the discount rate.

As referenced in Note 4 of the Financial Statements the carrying value of property, plant and equipment is considered by management as a critical accounting judgement and key source of estimation uncertainty.

No impairment charges or impairment reversals were recorded during the year. Further details of the key assumptions used by management in their impairment evaluation are provided in Note 17 of the Financial Statements and in the Audit & Risk Committee Report on page 64.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK

As well as our work on reserves as noted below;

- we compared oil and gas price assumptions with third party forecasts and publicly available forward curves;
- we used our internal valuation specialists to perform an independent recalculation of the discount rates used for each of the group's producing assets in Vietnam;
- we assessed management's other assumptions by reference to other third party information, our knowledge of the Group and industry and also budgeted and forecast performance;
- we tested management's impairment calculations for mechanical accuracy;
- we considered whether the incremental value attributed to contingent resource estimates was appropriate;
- we reviewed management's sensitivity tests for a range of input assumptions, including oil price and discount rates, and performed our own sensitivity tests using management's impairment model with a range of reasonable assumptions; and
- we considered whether management's disclosures relating to impairment and associated estimation uncertainty were adequate.

KEY OBSERVATIONS

We are satisfied that no impairment charges or impairment reversals are required in the current year and that the related disclosures in Note 17 of the Financial Statements are appropriate.

IMPAIRMENT OF INTANGIBLE EXPLORATION & EVALUATION ('E&E') ASSETS

RISK DESCRIPTION	The total value of E&E assets as at 31 December 2016 held by the Group was $218.2 million (2015: $211.5 million). The Group's principal interests are in the Marine XI licence in the Republic of Congo (Brazzaville) and the Cabinda licence in Angola. 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 that are required and the material carrying values of E&E assets in the Financial Statements. These judgements include the effect of the significant and prolonged fall in oil price on the viability of the Group's E&E projects. Management assesses whether there were any indicators of impairment of the Group's E&E assets by reference to IFRS 6 "Exploration for and evaluation of mineral resources", such as; • expiry or relinquishment of exploration and evaluation licences; • substantive expenditure for further exploration and evaluation in the specific area is neither budgeted nor planned; • 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 E&E asset is unlikely to be recovered in full from successful development or by sale. As referenced in Note 4 of the Financial Statements, the carrying value of E&E assets is considered by management as a critical accounting judgement and key source of estimation uncertainty. The current status of the Marine XI and Cabinda licences together with activity during the year is summarised in the review of operations. No impairment charges were recorded in the year. Further details of the group's E&E assets and the related impairment judgements are given in Note 16 of the Financial Statements and in the Audit & Risk Committee Report on page 63.
HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	We challenged the outcome of management's review of the Group's E&E assets for impairment. Our procedures included: • participating in meetings with key operational and finance staff to understand the current status and future intention for each asset; • confirming that all assets which remain capitalised are included in future budgets and identifying any fields where the Group's right to explore is either at, or close to expiry; and • obtaining appropriate audit evidence regarding material facts, for example by agreement to approved internal or operator budgets and work programmes or contractual agreements.
KEY OBSERVATIONS	We are satisfied that no impairments were required in the current year.

OIL & GAS RESERVES AND CONTINGENT RESOURCE ESTIMATES

RISK DESCRIPTION	This was considered to be a key risk due to the subjective nature of reserves and contingent resource estimates, their impact on the Financial Statements as key inputs within the impairment assessment and the depreciation, depletion and amortisation ('DD&A') calculations, and because both the Te Giac Trang ('TGT') and Ca Ngu Vang ('CNV') fields are complex fields contributing all of the value of the Group's recognised reserves. Management has engaged a third party reservoir engineering expert to provide an independent report on the Group's reserves and contingent resource estimates using standard industry reserve estimation methods and definitions for both the CNV and TGT fields. Management's reserves and contingent resource estimates are included on page 115 to the annual report. In addition, management has explained the scope of work of the third party expert and their findings on page 22 and 23 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. The Audit & Risk Committee has also outlined its considerations in this area on page 64. In reviewing the third party reservoir engineer's conclusions, an error was identified in relation to the prior year CNV contingent resource estimates, as discussed on page 23.

Independent Auditor's Report continued

OIL & GAS RESERVES AND CONTINGENT RESOURCE ESTIMATES	
HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	For both TGT and CNV assets: • we understood the process used by management to derive their estimates of reserves and contingent resources and how they provide information to, and interact with, the third party expert; • we reviewed the third party expert's report on SOCO's reserves and contingent resource estimates as disclosed on pages 22 and 23 and checked that these estimates were used consistently throughout the accounting calculations reflected in the Financial Statements; • we communicated directly with the third party experts to discuss and assess their scope of work, expertise and objectivity which included consideration of findings in relation to the prior year CNV contingent resource estimate error; and • we enquired about the differences between current and prior year estimates and considered whether the explanations were consistent with other information obtained by us during the course of our audit.
KEY OBSERVATIONS	We are satisfied that the reserves and contingent resources figures are appropriate to utilise in the group's DD&A and impairment calculations and that there was no financial statement impact in relation to the prior year restatement of CNV contingent resources.

ACCOUNTING FOR DEPLETION, DEPRECIATION AND AMORTISATION ('DD&A') OF PRODUCING OIL & GAS ASSETS	
RISK DESCRIPTION	As outlined in Note 6 the total DD&A charge for the year was $80.0 million (2015:$ 99.2 million). 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. As referenced in Note 4 of the Financial Statements accounting for DD&A is considered by management as a critical accounting judgement and key source of estimation uncertainty.
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 outlined 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 any 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; and • we re-performed the DD&A calculation to check for mechanical accuracy.
KEY OBSERVATIONS	We are satisfied that management's calculation of DD&A is appropriate and based on reasonable underlying estimates.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these 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.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

GROUP MATERIALITY	$12 million (2015: $13.5 million)
BASIS FOR DETERMINING MATERIALITY	1.5% of net assets (2015: 1.5% of net assets). When setting materiality, among other factors we considered the Group's profit before tax, 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 in the current period as well as that in recent periods.
RATIONALE FOR THE BENCHMARK APPLIED	Given the recent volatility in oil prices and the uncertain outlook for future oil prices, we do not consider that focusing solely on 2016 profit before tax would represent a stable basis for materiality or be representative of the underlying scale of the Group. Accordingly, consistent with the prior year we have concluded that net assets represents the most appropriate benchmark which reflects the long term value of the Group through its portfolio of production and exploration assets and their associated reserves and contingent resources.

To align with market practice we agreed with the Audit & Risk Committee that we would report to them all audit differences in excess of 5% of group materiality, being $600,000 (2015: 2% of group materiality, being $270,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & 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 scoped in both of 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 London, together with the head office function 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, with component materiality ranging from $6 million to $8.2 million. We also audited the consolidation of the group's business units. In both the current and prior year, each of the risks that had the greatest effect on our audit strategy, as described above, were audited directly by the group audit team.

The group audit team assesses each year how best to be appropriately involved in the audit work undertaken in Vietnam. In the current year, this was achieved by regular interaction and review through correspondence, telephone and other electronic media as well as performing a review of the underlying work of the component auditors in selected key areas.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Independent Auditor's Report continued

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 part of the Corporate Governance Statement relating to the company's compliance with certain 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 & 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). 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 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.

David Paterson ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
22 March 2017

Consolidated Income Statement for the year to 31 December 2016

	Notes	2016 $ million	2015 $ million
Revenue	5, 6	**154.6**	214.8
Cost of sales	7	**(135.0)**	(166.4)
Gross profit		**19.6**	48.4
Administrative expenses		**(13.5)**	(10.0)
Pre-licence exploration costs		**–**	(0.8)
Exploration write back (expense)	8	**1.1**	(35.6)
Operating profit		**7.2**	2.0
Investment revenue	5	**0.5**	0.4
Other gains and losses	9	**–**	7.4
Finance costs	10	**(2.0)**	(1.6)
Profit before tax	6	**5.7**	8.2
Tax	6, 13	**(24.0)**	(42.0)
Loss for the year		**(18.3)**	(33.8)
Loss per share (cents)	15		
Basic		**(5.6)**	(10.3)
Diluted		**(5.6)**	(10.3)

Consolidated Statement of Comprehensive Income for the year to 31 December 2016

	Notes	2016 $ million	2015 $ million
Loss for the year	30	**(18.3)**	(33.8)
Items that may be subsequently reclassified to profit or loss:			
Unrealised currency translation differences	30	**(0.2)**	1.8
Total comprehensive loss for the year		**(18.5)**	(32.0)

Balance Sheets as at 31 December 2016

	Notes	Group 2016 $ million	Group 2015 $ million	Company 2016 $ million	Company 2015 $ million
Non-current assets					
Intangible assets	16	**218.2**	211.5	**–**	–
Property, plant and equipment	17	**690.6**	760.5	**0.6**	0.8
Investments	18	**–**	–	**530.6**	637.1
Other receivables	19	**33.8**	29.5	**–**	–
		942.6	1,001.5	**531.2**	637.9
Current assets					
Inventories	20	**5.7**	3.1	**–**	–
Trade and other receivables	21	**24.7**	19.5	**0.8**	0.9
Tax receivables		**0.7**	0.7	**0.3**	0.3
Financial asset	22	**42.7**	52.7	**–**	–
Liquid investments	23	**15.3**	–	**–**	–
Cash and cash equivalents	23	**85.0**	103.6	**0.5**	0.2
		174.1	179.6	**1.6**	1.4
Total assets		**1,116.7**	1,181.1	**532.8**	639.3
Current liabilities					
Trade and other payables	24	**(22.4)**	(37.2)	**(6.7)**	(3.0)
Tax payable		**(9.2)**	(7.8)	**(0.1)**	(0.8)
		(31.6)	(45.0)	**(6.8)**	(3.8)
Net current assets (liabilities)		**142.5**	134.6	**(5.2)**	(2.4)
Non-current liabilities					
Deferred tax liabilities	25	**(165.7)**	(183.7)	**–**	–
Long term provisions	26	**(62.9)**	(59.9)	**–**	–
		(228.6)	(243.6)	**–**	–
Total liabilities		**(260.2)**	(288.6)	**(6.8)**	(3.8)
Net assets		**856.5**	892.5	**526.0**	635.5
Equity					
Share capital	27	**27.6**	27.6	**27.6**	27.6
Other reserves	28	**243.8**	242.3	**194.5**	195.3
Retained earnings	30	**585.1**	622.6	**303.9**	412.6
Total equity		**856.5**	892.5	**526.0**	635.5

The profit for the financial year dealt with in the accounts of the Company (Co number 3300821) was $17.5m inclusive of dividends from subsidiary undertakings (2015: profit of $30.8m). 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.

The Financial Statements were approved by the Board of Directors on 22 March 2017 and signed on its behalf by:

Rui de Sousa
Chairman

Roger Cagle
Director

Statements of Changes in Equity for the year to 31 December 2016

	Notes	Called up share capital (see Note 27) $ million	Other reserves (see Note 28) $ million	Retained earnings (see Note 30) $ million	Group Total $ million
As at 1 January 2015		27.6	239.5	708.0	975.1
Loss for the year		–	–	(33.8)	(33.8)
Unrealised currency translation differences		–	–	1.8	1.8
Distributions		–	–	(51.1)	(51.1)
Share-based payments		–	0.5	–	0.5
Transfer relating to share-based payments		–	2.3	(2.3)	–
As at 1 January 2016		**27.6**	**242.3**	**622.6**	**892.5**
Loss for the year	30	**–**	**–**	**(18.3)**	**(18.3)**
Unrealised currency translation differences	28, 30	**–**	**(0.2)**	**(0.2)**	**(0.4)**
Distributions	29, 30	**–**	**–**	**(17.5)**	**(17.5)**
Share-based payments	28	**–**	**0.2**	**–**	**0.2**
Transfer relating to share-based payments	28, 30	**–**	**1.5**	**(1.5)**	**–**
As at 31 December 2016		**27.6**	**243.8**	**585.1**	**856.5**

	Notes	Called up share capital (see Note 27) $ million	Other reserves (see Note 28) $ million	Retained earnings (see Note 30) $ million	Company Total $ million
As at 1 January 2015		27.6	195.0	466.7	689.3
Retained profit for the year	14	–	–	30.8	30.8
Unrealised currency translation differences		–	(0.1)	(31.5)	(31.6)
Distributions		–	–	(51.1)	(51.1)
Share-based payments		–	0.5	–	0.5
Transfer relating to share-based payments		–	(0.1)	(2.3)	(2.4)
As at 1 January 2016		**27.6**	**195.3**	**412.6**	**635.5**
Retained profit for the year	14	**–**	**–**	**17.5**	**17.5**
Unrealised currency translation differences	28, 30	**–**	**(0.2)**	**(107.2)**	**(107.4)**
Distributions	29, 30	**–**	**–**	**(17.5)**	**(17.5)**
Share-based payments	28	**–**	**0.2**	**–**	**0.2**
Transfer relating to share-based payments	28, 30	**–**	**(0.8)**	**(1.5)**	**(2.3)**
As at 31 December 2016		**27.6**	**194.5**	**303.9**	**526.0**

Cash Flow Statements
for the year to 31 December 2016

	Notes	Group 2016 $ million	Group 2015 $ million	Company 2016 $ million	Company 2015 $ million
Net cash from (used in) operating activities	32	**46.0**	80.3	**(7.9)**	(6.5)
Investing activities					
Purchase of intangible assets		**(27.4)**	(17.5)	**–**	–
Purchase of property, plant and equipment		**(8.4)**	(70.0)	**(0.1)**	(0.1)
(Increase) decrease in liquid investments[1]		**(15.3)**	40.2	**–**	–
Payment to abandonment fund	19	**(4.3)**	(4.9)	**–**	–
Deferred proceeds on disposal of Mongolia assets	22	**10.0**	–	**–**	–
Investment in subsidiary undertakings	18	**–**	–	**(2.9)**	(5.7)
Dividends received from subsidiary undertakings		**–**	–	**30.0**	62.5
Net cash (used in) from investing activities		**(45.4)**	(52.2)	**27.0**	56.7
Financing activities					
Share-based payments	31	**(0.9)**	(1.0)	**(0.9)**	(1.0)
Distributions	29	**(17.5)**	(51.1)	**(17.5)**	(51.1)
Net cash used in financing activities		**(18.4)**	(52.1)	**(18.4)**	(52.1)
Net (decrease) increase in cash and cash equivalents		**(17.8)**	(24.0)	**0.7**	(1.9)
Cash and cash equivalents at beginning of year		**103.6**	126.2	**0.2**	0.2
Effect of foreign exchange rate changes		**(0.8)**	1.4	**(0.4)**	1.9
Cash and cash equivalents at end of year[1]	23	**85.0**	103.6	**0.5**	0.2

[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 2016 was $100.3m (2015: $103.6m).

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS ADDITIONAL INFORMATION

Notes to the Consolidated Financial Statements

1 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 the inside back cover. The nature of the Group's operations and its principal activities are set out in Note 6, in the Review of Operations and Financial Review on pages 16 to 23 and 24 to 25, respectively.

2 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 49 and in the Financial Review on page 25. 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's and IAS's, 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 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IAS 34 (amendments) Interim Financial Reporting
- IAS 7 (amendments) Disclosure Initiative
- IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between Investor and its Associate or Joint Venture

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 16 will impact both the measurement and disclosures of operating leases and certain office rentals

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 investor is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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.

(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) 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. In accordance with the Group's sales agreements for oil and gas, the risks and rewards are transferred to the buyer at the point of delivery. 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.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(g) 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 specified in paragraphs 18 to 20 of 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. The impairment indicators in IFRS6 for each exploration asset are:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted or planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commerciality viable quantities of mineral resources and the entity has decided to discountinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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.

(h) 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.

(i) 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.

Notes to the Consolidated Financial Statements
continued

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(j) 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.

(k) 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.

For cash-settled share-based payments, a liability is recognised measured initially at fair value. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is measured, with any changes in fair value recognised in profit or loss for the year.

(l) 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.

(m) 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 amortised costs using the effective interest rate.

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.

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

For the purpose of presenting consolidated Financial Statements the results of entities denominated in currencies other than US dollars are translated at the daily rate of exchange 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 other comprehensive income and transferred to the Group's retained earnings reserve.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(o) Pension costs

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

3 FINANCIAL RISK MANAGEMENT

The Board reviews and agrees policies for managing financial risks that may affect the Group. In certain cases the Board delegates responsibility for such reviews and policy setting to the Audit & Risk Committee. The main financial risks affecting the Group are discussed in the Risk Management Report on pages 26 to 31.

4 CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES

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

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

Oil and gas assets

Note 2(g) 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 6 discloses the carrying value of intangible exploration and evaluation assets. Further, Note 2(g) describes the Group's policy regarding reclassification 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 within the next financial year are discussed below:

Oil and gas reserves and DD&A

Note 2(g) 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 22. The estimate is reviewed at least twice a year and is audited at year end. 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 pages 22 to 23, the TGT and CNV proved and probable reserves estimates have been revised slightly based on ongoing work of ERCE and audited by our reserves auditors, GCA. 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 ('CGU') 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 commodity prices, 2P reserves estimates and discount rates. Other assumptions include production profiles, future operating and capital expenditures. Further information relating to the specific assumptions and uncertainties relevant to impairment tests performed in the year are discussed in Note 17.

Notes to the Consolidated Financial Statements
continued

5 TOTAL REVENUE

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

	2016 $ million	2015 $ million
Oil and gas sales (see Note 6)	**154.6**	214.8
Investment revenue	**0.5**	0.4
	155.1	215.2

6 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.

2016	SE Asia $ million	Africa[2] $ million	Unallocated $ million	Group $ million
Oil and gas sales (see Note 5)	**154.6**	**–**	**–**	**154.6**
Depreciation, depletion and amortisation (see Note 7)	**79.8**	**–**	**0.2**	**80.0**
Exploration write back (see Note 8)	**–**	**(1.1)**	**–**	**(1.1)**
Profit (loss) before tax[1]	**17.8**	**0.6**	**(12.7)**	**5.7**
Tax charge (see Note 13)	**23.8**	**–**	**0.2**	**24.0**

2015	SE Asia $ million	Africa[2] $ million	Unallocated $ million	Group $ million
Oil and gas sales	214.8	–	–	214.8
Depreciation, depletion and amortisation	99.0	–	0.2	99.2
Exploration expense	0.6	35.0	–	35.6
Profit (loss) before tax[1]	46.3	(35.8)	(2.3)	8.2
Tax charge	42.2	–	(0.2)	42.0

[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 $115.1m and $34.1m which arose from the Group's two largest customers who contributed more than 10% to the Group's oil and gas revenue (2015: $188.2m from the Group's largest customer).

Geographical information

The Group's oil and gas revenue and non-current assets (excluding 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 oil and gas revenue is derived from foreign countries. The Group's oil and gas revenue by geographical location is determined by reference to the final destination of oil or gas sold.

	2016 $ million	2015 $ million
Vietnam	**117.2**	192.4
China	**33.4**	9.3
Other	**4.0**	13.1
	154.6	214.8

6 SEGMENT INFORMATION CONTINUED

Non-current assets

	2016 $ million	2015 $ million
United Kingdom	**0.6**	0.8
Vietnam	**692.3**	760.7
Congo	**149.6**	157.7
Other – Africa	**66.3**	52.8
	908.8	972.0

Excludes other receivables.

7 COST OF SALES

	2016 $ million	2015 $ million
Depreciation, depletion and amortisation	**79.8**	99.0
Production based taxes	**13.4**	17.0
Production operating costs	**44.4**	47.4
Inventories	**(2.6)**	3.0
	135.0	166.4

8 EXPLORATION WRITE BACK/EXPENSE

	2016 $ million	2015 $ million
Licence commitments (write back)/expense	**(1.1)**	22.5
Exploration costs written off	**–**	13.1
	(1.1)	35.6

In 2015, exploration costs of $13.1m were written off to the income statement of which $11.7m related to the carrying value of the MPS licence in Congo and the remaining $1.4m related to additional costs of a licence relinquished in the previous year. As well as fully impairing the MPS expenditure at 31 December 2015 of $11.7m, an accrual was made of $22.5m for the estimated cost of fulfilling the remaining onerous drilling commitment on the licence (see Note 24).

In 2016, following the completion of the drilling commitment, an amount of $1.1m was written back to the income statement.

9 OTHER GAINS AND LOSSES

	2016 $ million	2015 $ million
Change in fair value of financial asset	**–**	7.7
Currency exchange loss	**–**	(0.3)
	–	7.4

The gain in 2015 of $7.7m was in relation to the unwinding of discount to our Mongolia financial asset (see Note 22).

Notes to the Consolidated Financial Statements
continued

10 FINANCE COSTS

	2016 $ million	2015 $ million
Other interest payable and similar fees	**0.1**	0.1
Unwinding of discount on provisions (see Note 26)	**1.9**	1.5
	2.0	1.6

In 2016, $1.9m relates to the unwinding of discount on the provisions for decommissioning (2015: $1.5m). The provisions are 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 TGT and CNV (currently estimated to be 14-15 years) in the removal and decommissioning of the facilities currently in place (see Note 26).

11 AUDITOR'S REMUNERATION

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

	2016 $000s	2015 $000s
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**167**	206
Fees payable to the Company's auditor and their associates for other services to the Group:		
Audit of the Company's subsidiaries	**27**	43
Total audit fees	**194**	249
Audit related assurance services – half year review	**52**	62
Taxation compliance services	**23**	6
Corporate finance services	**296**	–
Other assurance services	**18**	93
Total non-audit fees	**389**	161

The non-audit fees during 2016 included the half year review, regulatory advice and other advice to management. In addition, the auditors provided corporate finance services as reporting accountants on a transaction which was proposed in 2016. All non-audit fees were fully approved by the Audit & Risk Committee, having concluded such services were compatible with auditor independence and were consistent with relevant ethical guidance in place. In 2015, other assurance service included advice to the Remuneration Committee, agreed upon procedures relating to the Group's 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 & Risk Committee Report on pages 62 to 64.

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

12 STAFF COSTS

The average monthly number of employees of the Group including Executive Directors was 17 (2015: 16), of which 14 (2015: 13) were administrative personnel and 3 (2015: 3) were operations personnel. Their aggregate remuneration comprised:

	Group	
	2016 $ million	2015 $ million
Wages and salaries	**6.1**	5.6
Social security costs	**0.4**	0.6
Share-based payment expense (see Note 31)	**4.3**	3.5
Other pension costs under money purchase schemes	**0.6**	0.6
Other benefits	**0.6**	1.9
	12.0	12.2

In accordance with the Group's accounting policy $3.9m of the Group's staff costs above have been capitalised (2015: $4.3m), $1.8m was in respect of our Vietnam assets and $2.1m on exploration and evaluation assets in Africa (2015: $2.1m Vietnam and $2.2m Africa).

13 TAX

	2016 $ million	2015 $ million
Current tax	**42.0**	58.5
Deferred tax (see Note 25)	**(18.0)**	(16.5)
	24.0	42.0

The Group's corporation tax is calculated at 50% (2015: 50%) of the estimated assessable profit for the year in Vietnam. During 2016 and 2015 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:

	2016 $ million	2015 $ million
Profit before tax	**5.7**	8.2
Profit before tax at 50% (2015: 50%)	**2.9**	4.1
Effects of:		
Non-taxable income	**–**	(4.1)
Non-deductible expenses	**16.4**	19.5
Tax losses not recognised	**5.1**	3.8
Non-deductible exploration costs written (back)/off	**(0.6)**	18.2
Adjustments to tax charge in respect of previous years	**0.2**	0.5
Tax charge for the year	**24.0**	42.0

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

Non-deductible expenses primarily relates to Vietnam DD&A charges for costs previously capitalised, which are non-deductible for Vietnamese tax purposes, contributing $13.6m (2015: $16.7m) to the effect of non-deductible expenses. A further $2.8m (2015: $2.8m) relates to non-deductible corporate costs including share scheme incentives.

The effect from tax losses not recognised relates to costs, primarily of the Company, deductible for tax in the UK but not expected to be utilised in the foreseeable future.

During 2016, following the completion of the MPS licence commitments, the amount of $1.1m was written back to the income statement (see Note 8) resulting in a tax effect adjustment of ($0.6m). In 2015, adjustments were made for the effect of non-deductible exploration costs written off related to the exploration costs associated with the relinquished Africa licences commitments, resulting in a tax effect of $17.9m, and to Vietnam pre-licence costs resulting in a tax effect of $0.3m.

14 PROFIT ATTRIBUTABLE TO SOCO INTERNATIONAL PLC

The profit for the financial year dealt with in the accounts of the Company was $17.5m inclusive of dividends from subsidiary undertakings (2015: profit of $30.8m). 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

15 LOSS PER SHARE

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

	Group	
	2016 $ million	2015 $ million
Earnings for the purposes of basic earnings per share	**(18.3)**	(33.8)
Effect of dilutive potential ordinary shares – Cash settled share awards and options	**(0.5)**	(0.2)
Earnings for the purposes of diluted earnings per share	**(18.8)**	(34.0)

	Number of shares (million)	
	2016	2015
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**329.4**	329.1
Effect of dilutive potential ordinary shares – Share awards and options	**2.8**	3.7
Weighted average number of ordinary shares for the purpose of basic earnings per share	**332.2**	332.8

In accordance with IAS 33 "Earnings per Share", the effects of antidilutive potential shares have not been included when calculating dilutive loss per share for the year ended 31 December 2016 or the prior year.

16 INTANGIBLE ASSETS

	Group	
	2016 $ million	2015 $ million
Exploration and evaluation expenditure		
As at 1 January	**211.5**	209.1
Additions	**6.7**	15.5
Exploration expense	**–**	(13.1)
As at 31 December	**218.2**	211.5

Intangible assets at year-end comprise the Group's exploration and evaluation projects which are pending determination and relate to Marine XI in the Congo ($149.6m), Cabinda North in Angola ($66.2m) and Blocks 125 & 126 in Vietnam ($2.4m). The outcome of ongoing exploration, and therefore whether the carrying value of E&E asets will ultimately be recovered, is inherently uncertain.

Included within 2016 additions is $5.4m relating to our African assets and $1.3m relating to blocks 125 &126 in Vietnam (2015: $14.5m Africa and $1.0m Vietnam).

In 2016, no exploration costs were written off to the income statement as none of the impairment indicators specified in paragraphs 18 to 20 of IFRS 6 (see Note 2g) have been triggered. The write off in 2015 primarily related to the MPS licence in Congo and was triggered by the decision to relinquish the licence when it was due to expire in 2016 (see Note 8 for further details).

17 PROPERTY, PLANT AND EQUIPMENT

	Group			Company
	Oil and gas properties $ million	Other $ million	Total $ million	Other $ million
Cost				
As at 1 January 2015	1,031.5	2.3	1,033.8	1.9
Additions	69.7	0.1	69.8	0.1
Disposals	–	(0.3)	(0.3)	–
Currency exchange	–	(0.1)	(0.1)	(0.1)
As at 1 January 2016	**1,101.2**	**2.0**	**1,103.2**	**1.9**
Additions	**10.1**	**0.1**	**10.2**	**0.1**
Currency exchange	**–**	**(0.3)**	**(0.3)**	**(0.3)**
As at 31 December 2016	**1,111.3**	**1.8**	**1,113.1**	**1.7**
Depreciation				
As at 1 January 2015	242.5	1.3	243.8	0.9
Charge for the year	99.0	0.2	99.2	0.2
Currency exchange	–	(0.3)	(0.3)	–
As at 1 January 2016	**341.5**	**1.2**	**342.7**	**1.1**
Charge for the year	**79.8**	**0.2**	**80.0**	**0.2**
Currency exchange	**–**	**(0.2)**	**(0.2)**	**(0.2)**
As at 31 December 2016	**421.3**	**1.2**	**422.5**	**1.1**
Carrying amount				
As at 31 December 2016	**690.0**	**0.6**	**690.6**	**0.6**
As at 31 December 2015	759.7	0.8	760.5	0.8

As discussed in the Review of Operations on pages 16 to 23, proved and probable oil and gas reserves audited by GCA have decreased slightly on TGT with a modest increase on CNV. The flattening of the oil price triggered an impairment test on the Group's CNV asset in Vietnam. 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 net book value is fully supported by the fair value derived from a discounted cash flow valuation of the 2P production profile, and whilst incremental value can be derived from the 2C contingent resources this is not required in support of the net book value. The key assumptions to which the fair value measurement is most sensitive are oil price, discount rate and 2P reserves (2015: oil price, discount rate, 2P reserves and the risked value ascribed to 2C contingent resources). As at 31 December 2016, the fair value of the asset is estimated based on a post tax nominal discount rate of 12.5% (2015: 12.5%) and an oil price reflecting a gradual increase over four years from $57/bbl in 2017 (2015: $58/bbl for 2017) to $69/bbl in 2020 (2015: $78/bbl for 2020) plus inflation of 2.0% (2015: 2.0%) thereafter.

The flattening of the oil price triggered an impairment test on the Group's TGT asset in Vietnam. The recoverable amount of the TGT 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 net book value is supported by a discounted cash flow valuation of the 2P production profile, but with a portion supported by the incremental value of 2C contingent resources, risk adjusted. The key assumptions to which the fair value measurement is most sensitive are oil price, discount rate and 2P reserves (2015: oil price, discount rate, 2P reserves and the risked value ascribed to 2C contingent resources). As at 31 December 2016, the fair value of the asset is estimated based on a post tax nominal discount rate of 10% (2015: 10%) and an oil price reflecting a gradual increase over four years from $57/bbl in 2017 (2015: $58/bbl for 2017) to $69/bbl in 2020 (2015: $78/bbl for 2020) plus inflation of 2.0% (2015: 2.0%) thereafter.

Testing of sensitivity cases indicated that neither a $5/bbl reduction in the long term oil price nor a 1% increase in discount rates, used when determining fair value less costs of disposal method, would result in an impairment of our TGT and CNV oil and gas assets. Details of the uncertainties relating to the 2P reserves are provided in Note 4 (b).

Other fixed assets comprise office fixtures and fittings and computer equipment.

Notes to the Consolidated Financial Statements
continued

18 FIXED ASSET INVESTMENTS AND JOINT ARRANGEMENTS

Group Investments

The Company and the Group had investments in the following subsidiary undertakings as at 31 December 2016 which 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	Footnotes	Registered address
OPECO Vietnam Limited	Cook Islands	Vietnam	Oil and gas development and production	100	2,8	e
SOCO Vietnam Ltd	Cayman Islands	Vietnam	Oil and gas development and production	100	2,9	b
SOCO Congo Limited	Cayman Islands	Congo (Brazzaville)	Investment holding	85	3	b
SOCO Exploration Limited	Jersey	–	Investment holding	100	1,3,4,5,6	a
SOCO Finance (Jersey) Limited	Jersey	–	Group Financing	100	1	a
SOCO SEA Limited	Jersey	–	Investment holding	100	1	a
SOCO Vietnam Acquisition Limited	Jersey	–	Investment holding	100	2	a
SOCO Congo BEX Limited	Cayman Islands	Congo (Brazzaville)	Oil and gas exploration and appraisal	100	2,7,10	b
SOCO Cuu Long Limited	Cayman Islands	–	–	100	2	b
SOCO Exploration (Asia) Limited	Cayman Islands	–	–	100	2	b
SOCO Exploration (Vietnam) Limited	Cayman Islands	–	Investment holding	100	2	b
SOCO MED Limited	Cayman Islands	–	–	100	2	b
SOCO Vietnam (Holdings) Limited	Cayman Islands	–	Investment holding	100	2	b
SOCO DRC Limited	Cayman Islands	–	–	85	2,4,7	b
SOCO North Africa Ltd	Cayman Islands	–	–	85	2,6,7	b
SOCO Cabinda Limited	Cayman Islands	Angola (Cabinda)	Oil and gas exploration and appraisal	80	2,5,11	b
SOCO Exploration & Production Congo SA	Congo (Brazzaville)	Congo (Brazzaville)	Oil and gas exploration and appraisal	85	2,3,12	c
SOCO Exploration & Production DRC SARL	DRC	–	–	85	2,4,7	d
Torobex Limited	British Virgin Islands	–	–	100	2,7	f
OPECO Inc	USA	–	Investment holding	100	2	g
SOCO International Operations LLC	USA	–	Investment holding	100	2	g
SOCO Management Services, Inc.	USA	USA	Management services	100	2	g
Territorial Resources, Inc.	USA	–	–	100	2,7	h

Footnotes:

Group investments

[1] Investments held directly by SOCO International plc.

[2] Investments held indirectly by SOCO International plc.

[3] SOCO Exploration Limited is the 85% shareholder of SOCO Congo Limited, which owns 100% of SOCO Exploration & Production Congo SA, the holder of the Group's working interest in the Marine XI, Congo (Brazzaville) asset. The Group funds 100% of SOCO Congo Limited and is entitled to receive 100% of the distributions made by SOCO Congo Limited until it has recovered such funding including a rate of return. The 15% non-controlling interest is held by the Quantic group of companies, of which Rui de Sousa is a 50% beneficial interest holder (see Note 35).

[4] SOCO Exploration Limited is the 85% shareholder of SOCO DRC Limited, which owns 100% of SOCO Exploration & Production DRC SARL. The 15% non-controlling interest is held by Quantic group of companies, of which Rui de Sousa is a 50% beneficial interest holder (see Note 35).

[5] SOCO Exploration Limited is the 80% shareholder of SOCO Cabinda Limited, which holds the Group's working interest in its Cabinda North Block asset. The Group funds 100% of SOCO Cabinda Limited and is entitled to receive 100% of the distributions made by SOCO Cabinda Limited until it has recovered such funding including a rate of return. The non-controlling interest is held by Quill Trading Corporation (10%) and Middle East Partnership (10%).

[6] SOCO Exploration Limited is the 85% shareholder of SOCO North Africa Ltd. The 15% non-controlling interest is held by Middle East Partnership SAL.

[7] Dormant pending voluntary dissolution.

Joint arrangements

[8] OPECO Vietnam Limited holds a 2% working interest in Block 16-1, TGT Field. The Field operational base is development/production and is operated by Hoang Long Joint Operating Company which is registered in Vietnam.

[9] SOCO Vietnam Ltd holds a 28.5% working interest in Block 16-1, TGT Field. The Field operational base is development/production and is operated by Hoang Long Joint Operating Company which is registered in Vietnam. SOCO Vietnam Ltd holds a 25% working interest in Block 9-2, CNV Field. The Field operational base is development/production and is operated by Hoan Vu Joint Operating Company which is registered in Vietnam.

[10] SOCO Congo BEX Limited holds a 60% working interest in Mer Profonde Sud and is the Operator until the relinquishment. The country of incorporation is Congo (Brazaville) and main activity was exploration and appraisal. SOCO Congo BEX Limited has initiated the relinquishment in 2016.

[11] SOCO Cabinda Limited holds a 17% working interest in Cabinda North Block which is operated by Sonangol P&P. The country of incorporation is Angola (Cabinda) and main activity is exploration and appraisal.

[12] SOCO Exploration & Production Congo SA holds a 40.39% working interest in Marine XI Block and is the Operator. The country of incorporation is Congo (Brazzaville) and main activity is exploration and appraisal.

18 FIXED ASSET INVESTMENTS AND JOINT ARRANGEMENTS CONTINUED

Registered addresses:
(a) 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands
(b) 196 Raleigh Quay, Governors Harbour, P.O. Box 1968, Grand Cayman, Cayman Islands, KY1 1104
(c) Avenue Kouanga Makosso, Immeuble Socotrans, BP 299, Pointe Noire, Republic of Congo
(d) Sutter & Pearc (DRC), Av Democratie no. 7476/1, Commune de la Gombe, Kinshasa, DRC
(e) 3/F BCI House, P.O. Box 208, Avarua, Rarotonga, Cook Islands
(f) Craigmuir Chambers, Road Town, Tortola VG1110, British Virgin Islands
(g) Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
(h) C T Corporation System, 1999 Bryan Street - Suite 900, Dallas, Texas, 75201-3136, USA

The Company's investments in subsidiary undertakings include contributions to the SOCO Employee Benefit Trust (see Note 28) and are otherwise held in the form of share capital.

In 2016 the reduction in investment value of $106.5m (2015: reduction of $52.3m) related to investments in subsidiaries of $2.9m (2015: $5.7m) offset by a $2.3m (2015: $2.3m) transfer relating to share based payments and a foreign exchange credit of $107.1m (2015: credit of $33.7m). In 2015, the investment value was further reduced by an impairment regarding the MPS licence of $22.0m.

19 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 TGT and CNV fields. The funds are operated by PetroVietnam and the JOC partners retain the legal rights to the funds pending commencement of abandonment operations. During 2016, the Group has contributed $4.3m (2015: $4.9m). As at 31 December 2016 the Group's total contribution to the funds was $33.8m (2015: $29.5m).

20 INVENTORIES

Inventories comprise crude oil and condensate and are valued at net realisable value in line with well established industry practice with changes in hydrocarbon inventories adjusted through cost of sales (see Note 7).

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 $ million	2015 $ million	**2016 $ million**	2015 $ million
Amounts falling due within one year				
Trade receivables	**21.9**	14.7	**–**	–
Other receivables	**0.9**	1.7	**0.1**	0.2
Prepayments and accrued income	**1.9**	3.1	**0.7**	0.7
	24.7	19.5	**0.8**	0.9

There are no amounts overdue or allowances for doubtful debts in respect of trade or other receivables (2015: nil). There is no material difference between the carrying amount of trade and other receivables and their fair value.

Trade and other receivables are financial assets and measured at amortised cost. Included in trade and other receivables arising from South East Asia at 31 December 2016 are trade receivables of $21.4m and $0.5m which arose from the Group's two customers (2015: $14.0m and $0.7m from the Group's two customers). Further information relating to credit and other financial risks and how the Group mitigate these risks are discussed in the Risk Management Report on pages 26 to 31.

Notes to the Consolidated Financial Statements
continued

22 FINANCIAL ASSET

In 2005, the Group disposed of its Mongolia interest to Daqing Oilfield Limited Company. Under the terms of the transaction the Group was entitled to receive a subsequent payment amount of up to $52.7m, once cumulative production reached 27.8 million barrels of oil, at the rate of 20% of the average monthly marker price for Daqing crude multiplied by the aggregate production for that month. Daqing notified SOCO that the production threshold of crude oil in excess of 27.8 million barrels was achieved in December 2015. The fair value of the subsequent payment amount was determined using a valuation technique as there was no active market against which direct comparisons can be made (Level 3 as defined in IFRS 13). The Directors expected the full subsequent payment amount to be settled by the end of 2016. On 19 December 2016, the Group received the first payment of $10.0m from Daqing Oilfield Limited Company as partial payment for the subsequent payment amount of $52.7m. The full remainder, as acknowledged by Daqing Oilfield Limited Company, was outstanding and past due at the reporting date. The delay was due to the requirement for an application for the necessary funds by Daqing Oilfield Limited Company to the Chinese Government and further steps required in the approval process imposed by Daqing's parent company, China National Petroleum Company. In March 2017, SOCO received the full outstanding amount of $42.7m (see Note 36).

23 CASH AND CASH EQUIVALENTS AND LIQUID INVESTMENTS

As at 31 December 2016, cash and cash equivalents of $85.0m (2015: $103.6m), 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.

As at 31 December 2016, liquid investments of $15.3m (2015:$nil) 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 2016 was $100.3m (2015:$103.6m).

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2016 $ million	2015 $ million	**2016 $ million**	2015 $ million
Trade payables	**3.8**	2.5	**–**	–
Amounts due to Group undertakings	**–**	–	**1.4**	–
Other payables	**8.9**	4.1	**3.7**	2.0
Accruals and deferred income	**8.1**	8.1	**1.6**	1.0
Liability for onerous commitments (see Note 8)	**1.6**	22.5	**–**	–
	22.4	37.2	**6.7**	3.0

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

Trade and other payables are financial liabilities and are therefore measured at amortised cost. The average credit period for settlement of trade payables is standard 30 days or later if this falls within the agreed terms. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Further information relating to financial risks and how the Group mitigate these risks are discussed in the Risk Management Report on pages 26 to 31.

25 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 2015	175.1	25.1	200.2
Credit to income	(18.1)	1.6	(16.5)
As at 1 January 2016	**157.0**	**26.7**	**183.7**
Credit to income (see Note 13)	**(19.3)**	**1.3**	**(18.0)**
As at 31 December 2016	**137.7**	**28.0**	**165.7**

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 $117.0m (2015: $115.7m). The gross losses have no expiry date.

26 LONG TERM PROVISIONS

Decommissioning

	Group 2016 $ million	2015 $ million
As at 1 January	**59.9**	51.1
New provisions and changes in estimates	**1.1**	7.3
Unwinding of discount (see Note 10)	**1.9**	1.5
As at 31 December	**62.9**	59.9

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 14–15 years) in the removal and decommissioning of the facilities currently in place. The provision is calculated using an inflation rate of 2.5% (2015: 2.5%) and a discount rate of 3% (2015: 3%).

27 SHARE CAPITAL

Ordinary Shares of £0.05 each

	2016 Shares	2015 Shares	2016 $ million	2015 $ million
Issued and fully paid	**341,076,911**	341,076,911	**27.6**	27.6

As at 31 December 2016 authorised share capital comprised 500 million (2015: 500 million) ordinary shares of £0.05 each with a total nominal value of £25m (2015: £25m). The Company did not issue any new ordinary shares during 2016 (2015: $nil).

Deferred shares of 0.0000001 pence each

	2016 Shares	2015 Shares	2016 $ million	2015 $ million
As at 1 January	**–**	224,876,192	**–**	–
Reclassification of C shares to deferred shares	**–**	–	**–**	–
Deferred shares cancelled	**–**	(224,876,192)	**–**	–
As at 31 December	**–**	–	**–**	–

On 9 July 2015, 224,876,192 C shares were cancelled.

Notes to the Consolidated Financial Statements
continued

28 OTHER RESERVES

Group

	Capital redemption reserve $ million	Merger reserve $ million	Own shares $ million	Share based payments $ million	Total $ million
As at 1 January 2015	100.3	188.7	(52.7)	3.2	239.5
Share-based payments	–	–	–	0.5	0.5
Transfer relating to share-based payments	–	–	2.5	(0.1)	2.4
Currency exchange translation differences	–	–	–	(0.1)	(0.1)
As at 1 January 2016	**100.3**	**188.7**	**(50.2)**	**3.5**	**242.3**
Share-based payments	**–**	**–**	**–**	**0.2**	**0.2**
Transfer relating to share-based payments	**–**	**–**	**2.3**	**(0.8)**	**1.5**
Currency exchange translation differences	**–**	**–**	**–**	**(0.2)**	**(0.2)**
As at 31 December 2016	**100.3**	**188.7**	**(47.9)**	**2.7**	**243.8**

Company

	Capital redemption reserve $ million	Merger reserve $ million	Own shares $ million	Share based payments $ million	Total $ million
As at 1 January 2015	100.3	131.8	(40.3)	3.2	195.0
Share-based payments	–	–	–	0.5	0.5
Transfer relating to share-based payments	–	–	–	(0.1)	(0.1)
Currency exchange translation differences	–	–	–	(0.1)	(0.1)
As at 1 January 2016	**100.3**	**131.8**	**(40.3)**	**3.5**	**195.3**
Share-based payments	**–**	**–**	**–**	**0.2**	**0.2**
Transfer relating to share-based payments	**–**	**–**	**–**	**(0.8)**	**(0.8)**
Currency exchange translation differences	**–**	**–**	**–**	**(0.2)**	**(0.2)**
As at 31 December 2016	**100.3**	**131.8**	**(40.3)**	**2.7**	**194.5**

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 2016 was 9,122,268 (2015: 9,122,268) and 2,299,767 (2015: 2,773,095), respectively. The market price of the Shares at 31 December 2016 was £1.5950 (2015: £1.4725). The Trust, a discretionary trust, holds Shares for the purpose of satisfying employee share schemes, details of which are set out in Note 31 and in the Directors' Remuneration Report on pages 65 to 81. 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.

29 DISTRIBUTION TO SHAREHOLDERS

In June 2016, the Company paid dividends to shareholders of $17.5m (2015: $51.1m) or 4 pence per Ordinary Share in two equal payments of 2 pence per share (2015: 10 pence per Ordinary Share).

The Trust, which is consolidated within the Group, waived its rights to receive a dividend in 2016 and 2015.

The Board is recommending a final dividend of 5 pence per Ordinary Share, which amounts to approximately $20.6m. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Financial Statements. The proposed dividend will be paid on 16 June 2017 to shareholders on the Register of Members at the close of business on 26 May 2017.

30 RETAINED EARNINGS

			Group
	Retained profit $ million	Unrealised currency translation differences $ million	Total $ million
As at 1 January 2015	704.3	3.7	708.0
Loss for the year	(33.8)	–	(33.8)
Unrealised currency translation differences	–	1.8	1.8
Distributions	(51.1)	–	(51.1)
Transfer relating to share-based payments	(2.3)	–	(2.3)
As at 1 January 2016	**617.1**	**5.5**	**622.6**
Loss for the year	**(18.3)**	**–**	**(18.3)**
Unrealised currency translation differences	**–**	**(0.2)**	**(0.2)**
Distributions (see Note 29)	**(17.5)**	**–**	**(17.5)**
Transfer relating to share-based payments	**(1.5)**	**–**	**(1.5)**
As at 31 December 2016	**579.8**	**5.3**	**585.1**

			Company
	Retained profit $ million	Unrealised currency translation differences $ million	Total $ million
As at 1 January 2015	577.8	(111.1)	466.7
Profit for the year	30.8	–	30.8
Distributions	(51.1)	–	(51.1)
Transfer relating to share-based payments	(2.3)	–	(2.3)
Unrealised currency translation differences	–	(31.5)	(31.5)
As at 1 January 2016	**555.2**	**(142.6)**	**412.6**
Profit for the year	**17.5**	**–**	**17.5**
Unrealised currency translation differences	**-**	**(107.2)**	**(107.2)**
Distributions (see Note 29)	**(17.5)**	**–**	**(17.5)**
Transfer relating to share-based payments	**(1.5)**	**–**	**(1.5)**
As at 31 December 2016	**553.7**	**(249.8)**	**303.9**

Notes to the Consolidated Financial Statements
continued

31 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 65 to 81. The Group recognised total expenses of $4.3m (2015: $3.5m) in respect of the schemes during the year, a proportion of which was capitalised in accordance with the Group's accounting policies.

Long Term Incentive Plan

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 2016 of 815,380 Shares were partially satisfied by transferring 473,328 Shares (2015: 521,016 Shares) held by the Trust. The remaining 342,052 awards exercised in 2016, being the number of Shares that might otherwise be sold in the market, were satisfied by cash settlement of the participants' tax liabilities of $0.9m (2015: $1.0m). 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. Awards exercised during 2015 of 907,115 Shares were partially satisfied by transferring 521,016 Shares held by the Trust, the remaining 386,099 awards were satisfied by cash settlement of the participants' tax liabilities of $1.0m. Details of awards outstanding during the year are as follows:

	2016 No. of share awards	2015 No. of share awards
As at 1 January	**2,987,561**	3,391,441
Adjustments[1]	**121,603**	153,235
Granted	**1,861,350**	750,000
Exercised	**(815,380)**	(907,115)
Forfeited during the year	**(33,976)**	(400,000)
As at 31 December	**4,121,158**	2,987,561
Exercisable as at 31 December	**–**	–

[1] In accordance with Share Scheme rules, adjustments were made for the payment of dividends in 2016 and 2015.

Awards outstanding at the end of the year have a weighted average remaining contractual life of 1.3 (2015: 1.4) years. The weighted average market price and estimated fair value of the 2016 grants (at grant date) were £1.42 and £0.41, 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.

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 cash-settled.

31 INCENTIVE PLANS CONTINUED

Other Share Schemes continued

	2016 No. of share awards	2016 Weighted average exercise price £	2015 No. of share awards	2015 Weighted average exercise price £
As at 1 January	**2,579,804**	**0.94**	1,819,034	1.64
Adjustments[1]	**90,052**	**–**	92,545	–
Granted	**1,793,600**	**0.10**	850,000	–
Forfeited during the year	**(92,751)**	**0.32**	(142,762)	3.97
Expired	**(233,191)**	**3.09**	–	–
Exercised	**(997,124)**	**–**	(39,013)	–
As at 31 December	**3,140,390**	**0.59**	2,579,804	0.94
Exercisable as at 31 December	**760,590**	**2.19**	870,081	2.16

[1] In accordance with Share Scheme rules, adjustments were made for the payment of dividends in 2016 and 2015.

The weighted average market price at the date of exercise during 2016 was £1.49 (2015: 1.82). Awards outstanding at the end of the year have a weighted average remaining contractual life of 6.4 (2015: 4.9) years. The weighted average market price and estimated fair value of the discretionary share option scheme 2016 grants (at grant date) were £1.20 and £0.36, respectively. The weighted average market price and estimated fair value of the deferred share bonus scheme 2016 grants (at grant date) was £1.40.

The fair value of discretionary share option scheme awards at date of grant has been estimated using a binomial option pricing model, based on the market price at date of grant.

The fair value of deferred share bonus scheme awards at date of grant has been estimated based on the market price at date of grant.

32 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Group 2016 $ million	Group 2015 $ million	Company 2016 $ million	Company 2015 $ million
Operating profit (loss)	**7.2**	2.0	**(12.5)**	(9.7)
Share-based payments	**1.1**	1.5	**1.1**	1.5
Depletion and depreciation	**80.0**	99.2	**0.2**	0.2
Exploration (write back) expense (see Note 8)	**(1.1)**	35.6	**–**	–
Operating cash flows before movements in working capital	**87.2**	138.3	**(11.2)**	(8.0)
(Increase) decrease in inventories	**(2.6)**	3.0	**–**	–
(Increase) decrease in receivables	**(6.8)**	12.4	**(0.2)**	(0.1)
Increase (decrease) in payables	**7.8**	(11.4)	**3.6**	1.5
Cash generated by (used in) operations	**85.6**	142.3	**(7.8)**	(6.6)
Interest received	**0.4**	0.5	**–**	0.1
Interest paid	**(0.1)**	(0.1)	**(0.1)**	–
Income taxes paid	**(39.9)**	(62.4)	**–**	–
Net cash from (used in) operating activities	**46.0**	80.3	**(7.9)**	(6.5)

Cash is generated from continuing operating activities only.

Notes to the Consolidated Financial Statements
continued

33 OPERATING LEASE ARRANGEMENTS

	2016 $ million	2015 $ million
Minimum lease payments under operating leases recognised in income for the year	**29.2**	29.4

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:

	2016 $ million	2015 $ million
Within one year	**29.2**	29.3
In two to five years	**21.4**	50.2
After five years	**–**	0.9
	50.6	80.4

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 from 2011, with an option to extend for a further seven years.

34 CAPITAL COMMITMENTS

At 31 December 2016 the Group had exploration licence commitments not accrued of approximately $1.9m (2015: $2.4m).

35 RELATED PARTY TRANSACTIONS

During the year, the Company recorded a net credit of $1.1m (2015: net credit of $4.5m) in respect of services rendered between Group companies. The Company had a short-term payable of $1.4m to a Group company outstanding as at 31 December 2016 (2015: $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 65 to 81.

	2016 $ million	2015 $ million
Short term employee benefits	**4.7**	3.5
Post-employment benefits	**0.3**	0.3
Share-based payments	**2.9**	1.9
	7.9	5.7

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 Investor Group, including Quantic group of companies, of which Mr Rui de Sousa is a 50% beneficial interest holder, jointly participated in certain regions in which the Investor Group utilised 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 were modelled after the SOCO Vietnam arrangement which was negotiated with third parties. The non-controlling holdings by Quantic group of companies in the subsidiary undertakings, which principally affected the profits or net assets of the Group, are shown in Note 18. The Group has entered into a consulting agreement, which is terminable by either party on 30 days' written notice, wherein Quantic Limited, which is part of the Quantic group companies, 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.

36 EVENTS AFTER THE BALANCE SHEET DATE

Financial Asset

The full value of the financial asset held at the balance sheet date of $42.7m relating to the subsequent amount of $52.7m associated with SOCO's 2005 sale of its Mongolia assets was received from Daqing Oilfield Limited Company in March 2017.

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 10 to 13, the Review of Operations on pages 16 to 23, the Financial Review on pages 24 to 25 and the Corporate Social Responsibility Report on pages 32 to 43.

	Year ended 31 Dec 2016	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Financial key performance indicators			
Oil price realised ($/bb)[1]	**45.01**	54.10	102.91
Oil and gas revenues ($ million)	**154.6**	214.8	448.2
Cash operating cost per barrel ($)[2]	**11.70**	10.06	9.04
DD&A per barrel ($)[3]	**22.04**	22.64	10.12
Gross profit ($ million)	**19.6**	48.4	304.4
Profit for the year ($ million)	**(18.3)**	(33.8)	14.0
Basic earnings per share (cents)	**(5.6)**	(10.3)	4.3
Cash, cash equivalents and liquid investments ($ million)	**100.3**	103.6	166.4
Net assets ($ million)	**856.5**	892.5	975.1
Net cash from operating activities ($ million)	**46.0**	80.3	251.2
Cash capital expenditure ($ million)	**35.8**	87.5	162.5
Distributions (pence per share)	**4.0**	10.0	22.0
Non-financial key performance indicators			
Total shareholder return (%)[4]	**11.6**	(48.8)	(18.8)
Production (barrels of oil equivalent per day)[5]	**9,883**	11,976	13,605
2P Reserves (see page 115)	**33.3**	37.3	40.8
2P Reserves + 2C Contingent Resources (see page 115)	**54.3**	68.4	79.7
Lost time injuries frequency rate[6]	**–**	0.4	0.3
Fatal accidents frequency rate[7]	**–**	–	–
Emissions (million tonnes of CO_2 equivalent) (based on equity share)[8]	**0.10**	0.10	0.11
Oil spills[9]	**–**	–	–
Solid non-hazardous waste (tonnes)[10]	**91.97**	327.8	498.4
Solid hazardous waste (tonnes)[11]	**83.03**	207.8	401.3
HSE regulatory non compliance[12]	**–**	–	–

1 The realised oil price per barrel is the average proceeds received for each barrel of oil sold in the period.
2 Cash 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 equivalent 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 Number of LTIs per million man-hours on projects operated by SOCO or jointly operated companies.
7 Number of fatal accidents per hundred million man-hours on projects operated by SOCO or jointly operated companies.
8 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.
9 Quantities greater than 100 litres.
10 Total non-hazardous waste requiring disposal, by gross project interest.
11 Total hazardous waste requiring disposal, by gross project interest.
12 HSE regulations and permit conditions applicable to country of operation.

Key Performance Indicators (unaudited)
continued

Non-IFRS measures
The Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. These non-IFRS measures include cash operating costs per barrel and DD&A per barrel.

Cash operating costs per barrel
Cash operating costs for the period calculated over barrels of oil equivalent produced. This is a useful indicator of cash operating costs incurred to produce oil and gas from the Group's producing assets.

	2016 $m	2015 $m
Cost of sales	**135.0**	166.4
Less:		
Depreciation, depletion and amortisation	**(79.8)**	(99.0)
Production based taxes	**(13.4)**	(17.0)
Inventories	**2.6**	(3.0)
Other cost of sales	**(2.1)**	(3.3)
Cash operating costs	**42.3**	44.1
Production (BOEPD)	**9,883**	11,976
Cash operating cost per BOE	**11.70**	10.06

DD&A per barrel
The Group believes this non-IFRS measure is useful indicator of DD&A charge and should follow any changes in reserves estimate.

	2016 $m	2015 $m
Depreciation, depletion and amortisation	**79.8**	99.0
Production (BOEPD)	**9,883**	11,976
DD&A per BOE	**22.04**	22.64

Five Year Summary (unaudited)

Continuing operations only

	Year to 31 Dec 2016 $ million	Year to 31 Dec 2015 $ million	Year to 31 Dec 2014 $ million	Year to 31 Dec 2013 $ million	Year to 31 Dec 2012 $ million
Consolidated income statement					
Oil and gas revenues	**154.6**	214.8	448.2	608.1	621.6
Gross profit	**19.6**	48.4	304.4	439.0	460.5
Operating profit	**7.2**	2.0	152.6	333.8	448.2
(Loss) profit for the year	**(18.3)**	(33.8)	14.0	104.1	207.0

	2016 $ million	2015 $ million	2014 $ million	2013 $ million	2012 $ million
Consolidated balance sheet					
Non-current assets	**942.6**	1,001.5	1,068.7	1,075.4	1,058.4
Net current assets	**142.5**	134.6	157.7	232.5	274.2
Non-current liabilities	**(228.6)**	(243.6)	(251.3)	(227.1)	(156.0)
Net assets	**856.5**	892.5	975.1	1,080.8	1,176.6
Share capital	**27.6**	27.6	27.6	27.6	27.6
Share premium	**–**	–	–	11.1	73.0
Other reserves	**243.8**	242.3	239.5	226.5	105.5
Retained earnings	**585.1**	622.6	708.0	815.6	970.5
Total equity	**856.5**	892.5	975.1	1,080.8	1,176.6

	Year to 31 Dec 2016 $ million	Year to 31 Dec 2015 $ million	Year to 31 Dec 2014 $ million	Year to 31 Dec 2013 $ million	Year to 31 Dec 2012 $ million
Consolidated cash flow statement					
Net cash from operating activities	**46.0**	80.3	251.2	314.4	334.8
Capital expenditure	**35.8**	87.5	162.5	99.1	109.9
Distributions	**17.5**	51.1	119.2	213.3	–

Reserves Statistics (unaudited)

Net working interest, MMboe

	TGT	CNV	Vietnam [3]	Congo [4]	Group
Oil and Gas 2P Commercial Reserves [1,2]					
As at 1 January 2016	30.6	6.7	37.3	–	37.3
Production	(3.0)	(0.6)	(3.6)	–	(3.6)
Revision	(0.8)	0.4	(0.4)	–	(0.4)
2P Commercial Reserves as at 31 December 2016	**26.8**	**6.5**	**33.3**	**–**	**33.3**
Oil and Gas 2C Contingent Resources [1,2]					
As at 1 January 2016	14.0	2.3 [5]	16.3 [5]	8.1	24.4
Revision	(4.0)	0.6	(3.4)	–	(3.4)
2C Contingent Resources as at 31 December 2016	**10.0**	**2.9**	**12.9**	**8.1**	**21.0**
Total of 2P Reserves and 2C Contingent Resources as at 31 December 2016	**36.8**	**9.4**	**46.2**	**8.1**	**54.3**

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

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

3 Reserves and Contingent Resources have been independently audited by Gaffney, Cline & Associates ('GCA').

4 Congo volumes are associated with the Viodo discovery. Contingent resources 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 31 December 2015 CNV restated for 2C following an error on GCA Reserves and Resources Statement from 9.0 MMboe to 2.3 MMboe.

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

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

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

BWPD
Barrels of water per day

CDP
Carbon Disclosure Project

CNV
Ca Ngu Vang

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

ERCE
ERC Equipoise

ESIA
Environmental and Social Impact Assessments

EU
European Union

FFDP
Full Field Development Plan

FPSO
Floating, Production, Storage and Offloading Vessel

FSO
Floating, Storage and Offloading Vessel

G&A
General and administration

GCA
Gaffney, Cline & Associates

GHG
Greenhouse gas

HLJOC
Hoang Long Joint Operating Company

HSES
Health, Safety, Environment and Social Responsibility

HSES MS
Health, Safety, Environmental and Social Responsibility 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

KPI
Key Performance Indicators

LTI
Lost Time Injury

LTIF
Lost Time Injury Frequency

LTIP
Long Term Incentive Plan

M&A
Mergers and Acquisitions

MMBBL
Million barrels

MMBOE
Million barrels of oil equivalent

MPS
Mer Profonde Sud

OPECO VIETNAM
OPECO Vietnam Limited

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

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

SOCO CABINDA
SOCO Cabinda Limited

SOCO CONGO
SOCO Congo Limited

SOCO EPC
SOCO Exploration & Production Congo SA

SOCO VIETNAM
SOCO Vietnam Ltd

STOIIP
Stock Tank Oil Initially In Place

TGT
Te Giac Trang

THE TRUST
SOCO Employee Benefit Trust

TOR
Terms of Reference

TSR
Total Shareholder Return

UK
United Kingdom

US
United States of America

WHP
Wellhead Platform

Company Information

REGISTERED OFFICE

SOCO International plc
48 Dover Street
London
W1S 4FF
United Kingdom
Registered in England
Company No. 3300821

Website
www.socointernational.com

Company Secretary
Cynthia Cagle

Financial Calendar
Group results for the year to 31 December are announced in March. The Annual General Meeting is held during the second quarter. Half year results to 30 June are announced in September.

ADVISORS

Auditors
Deloitte LLP
London, United Kingdom

Bankers
Bank of America Merrill Lynch
Merrill Lynch Financial Centre
2 King Edward Street
London
EC1A 1HQ
United Kingdom

J.P. Morgan
125 London Wall
London
EC2Y 5AY
United Kingdom

Financial Advisor and Corporate Broker
Jefferies Hoare Govett
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
BN99 6DA
United Kingdom

Solicitors
Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ
United Kingdom

Design and production
Wardour, London
www.wardour.co.uk

Photography
South East Asia:
iStockphoto

Board and Management:
Barry Willis

Print:
CPI Colour

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C016486

SOCO International plc
48 Dover Street
London
WIS 4FF
United Kingdom

T +44 (0)20 7747 2000
F +44 (0)20 7747 2001
www.socointernational.com