

Annual Report and Accounts 2018 — Repositioned for growth

Repositioned for growth —
Our future is one of new and
exciting growth opportunities.
We are repositioning to enhance
our existing strengths. We are
building new relationships and
are on a positive course for
business growth.

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We are an oil and gas exploration and production company. Headquartered in London and listed on the main market of the London Stock Exchange, we have exploration, development and production interests in Vietnam.

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A significant step forward for SOCO

2018 has seen SOCO focus on delivering our strategy through planned divestments, capital structure and expanding and diversifying the resource base beyond Vietnam with the proposed acquisition of assets in Egypt. Our culture of capital discipline and a commitment to building value for shareholders through dividends and growth of the Company remains as strong as ever.

Group highlights

Lost Time Injury Frequency (LTIF)
(Per million man-hours worked)

0

Net production
(boepd)

7,274

Cash operating costs
(\$/boe)

\$13.63/boe

Return to shareholders
(Pence per ordinary share)

5.25_p

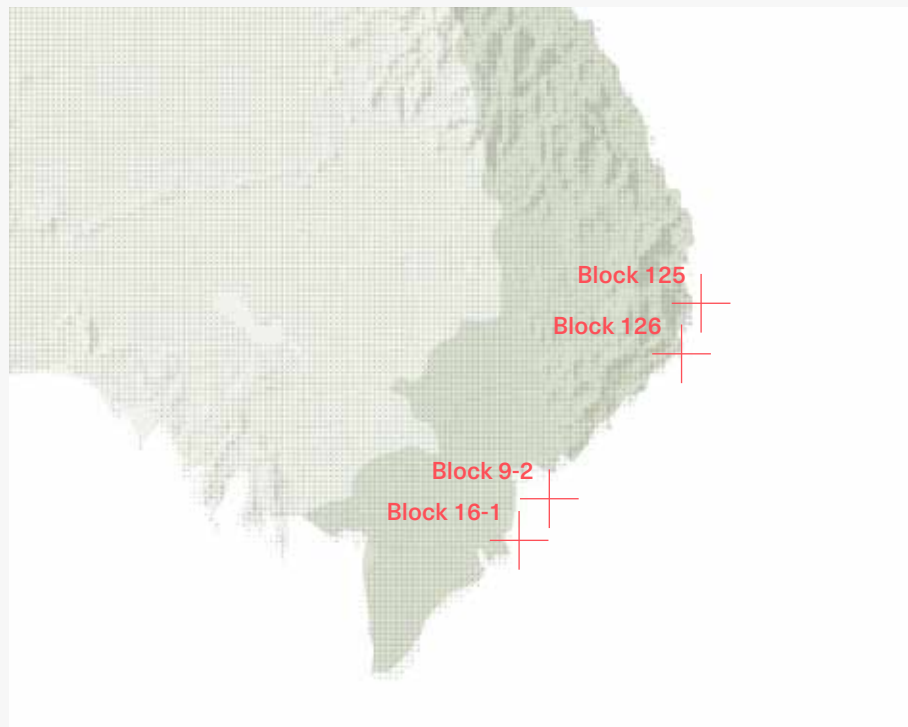
Cash, cash equivalents and
liquid investments (\$m)

\$240.1

Revenue
(\$m)

\$175.1

Vietnam portfolio



Block 16-1
SOCO interest
 30.5% working interest

Operator
 Hoang Long
 Joint Operating Company

Operational phase
 Production/field
 development

Block 9-2
SOCO interest
 25% working interest

Operator
 Hoan Vu
 Joint Operating Company

Operational phase
 Production/field
 development

Blocks 125 & 126
SOCO interest
 70% working interest

Operator
 SOCO Exploration
 (Vietnam)

Operational phase
 Exploration

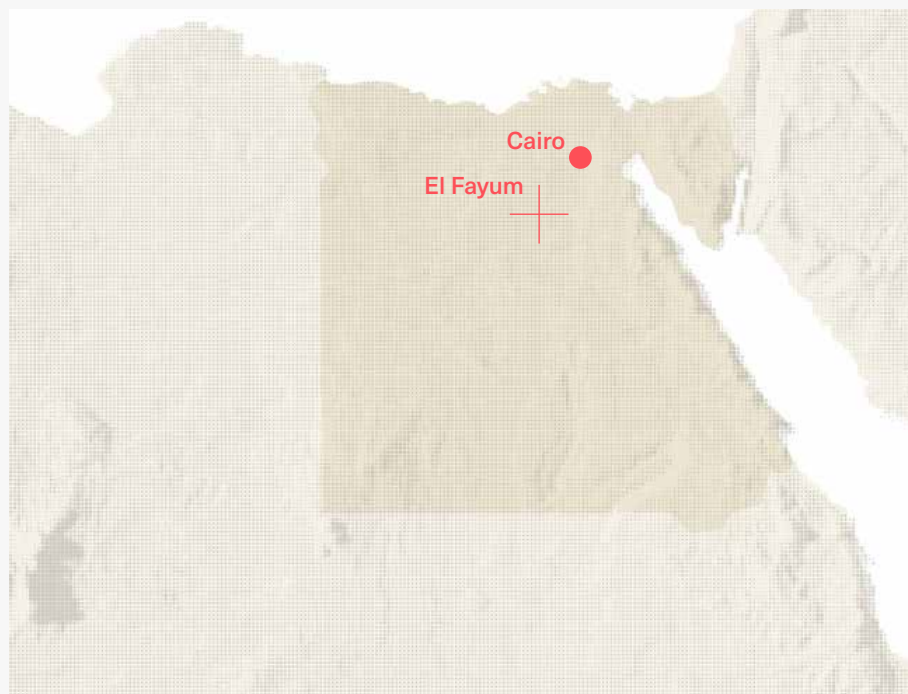
2018 Vietnam production (net)

■ CNV	1,588 boepd
■ TGT	5,686 boepd



→ Operations review
 page 24

Egypt portfolio

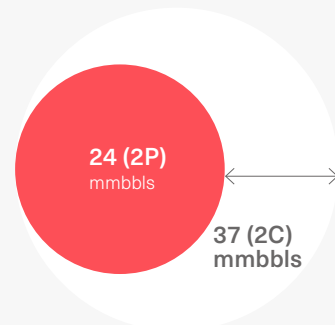


SOCO interest
 100% participating interest

Operator
 Petrosilah

Location
 Western Desert, Egypt

Operational phase
 Production/
 field development/
 exploration



→ Operations review
 page 24

On 25 September 2018, SOCO announced the proposed acquisition of Merlon Petroleum El Fayum Company. Shareholder approval was gained on the 21 December 2018. Completion remains subject to the satisfaction or, where permitted, waiver of certain Conditions under the Share Purchase Agreement. SOCO expects the completion of the acquisition will occur in 1H 2019.

Repositioned for growth

Last year I reported that the Company had renewed its focus and commitment to the pursuit of growth opportunities, supported by the establishment of an experienced business development team. In September 2018, SOCO announced that it had signed a sale and purchase agreement for the acquisition of Merlon Petroleum El Fayum Company ("Merlon"), which has onshore oil assets in Egypt. The transaction was approved by shareholders in December 2018 and is on track for completion in 1H 2019. The proposed acquisition of Merlon complements and diversifies SOCO's existing Vietnam-focused portfolio, builds scale through doubling of our reserves and resources, increases SOCO's financial resilience through the low cost resource base and provides tangible production growth, re-setting SOCO's growth trajectory. This acquisition is a significant step forward for SOCO in our vision to become a full-cycle, growth orientated E&P company of scale.

Safety remains the highest priority within the business and on the Board agenda. We are proud to report that SOCO's Joint Operations continue to achieve a high record of safety and have maintained commitment to local sourcing, employment, training and industry upskilling. In Vietnam, we are pleased by HLHVJOCs' high level of safe operations, with zero LTIs in over 24 million man-hours worked since project inception, representing seven production years on TGT and 10 production years on CNV. SOCO aims to have a positive presence in the countries where it operates. Our purpose is the responsible development of energy from natural resources for global

economic prosperity and to deliver value for all our stakeholders.

SOCO is also committed to responsible and sustainable development, resulting in value for the host countries and local communities as well as for our staff and shareholders. In Vietnam, community projects are selected by HLHVJOC and during 2018, the HLHVJOC Charitable Donation programme focused on long term goals to assist in the development of poor rural areas especially in healthcare, education and assistance to flood victims.

Financial discipline

Capital discipline and financial stability have been SOCO hallmarks from inception and continue to underpin the business. Capital investment and divestment decisions are taken to allocate capital where it will provide the best risk adjusted returns. It is this approach that has allowed us to return significant amounts of capital to shareholders. SOCO continues to have a stable financial base. The balance sheet remained strong throughout 2018 and the Company had solid cash flows and low cash operating costs. To improve the efficiency of the balance sheet and provide financial flexibility, SOCO signed a \$125m Reserved Base Lending facility ("RBL") secured against the Group's producing assets in Vietnam with a further \$125m available on an uncommitted accordion basis. In December 2018 SOCO drew down \$100m from the RBL facility.

The Group finished the year with \$240.1m in cash, after returning \$23.3m to shareholders through a 5.25 pence per share final dividend for the 2017 financial year and bringing the total return to shareholders since 2006 to \$0.5 bn.

Prudent planning and risk management

Risk Management has always been a primary focus of the Board but, in these highly volatile commodity markets, we are giving the matter even more attention. Effective risk management is integral to SOCO achieving its corporate strategy to further strengthen the business through growth. On pages 36 to 43 of the 2018 Annual Report and Accounts, we set out our assessment of the principal risks facing the business and the mitigation measures we have adopted, whilst focusing on maintaining a business that remains robust and competitive.

Board engagement and changes

Olivier Barbaroux, a long standing non-executive director, retired from the Board of SOCO following conclusion of last year's AGM on 7 June 2018. SOCO would like to thank Olivier for his contribution to the Company and to wish him all the best for the future. On the same date, John Martin was appointed as an Independent non-executive director, Chair of the Audit and Risk Committee and a member of the Remuneration Committee and the Nominations Committee. John has more than 30 years' experience in international banking in the oil and gas industry. Ambassador António Monteiro, non-executive director, will retire from the Board of SOCO at the conclusion of the Company's forthcoming AGM. SOCO would like to thank António for his service to the Company and wish him all the very best in his retirement. Marianne Daryabegui has been appointed as an Independent non-executive director with effect from 15 March 2019 and will also serve as a member of the Audit and Risk Committee, the Remuneration

Rui de Sousa
Chair



Committee and the Nominations Committee. Marianne has extensive experience in oil and gas corporate transactions and capital markets. Both John and Marianne bring a wealth of oil and gas experience and expertise which will complement and enhance the experience of the Board. Each of them will offer themselves for election by shareholders for the first time at the forthcoming AGM.

The Board looks to foster a genuine two-way dialogue between the Company and its stakeholders and welcomes the requirements of the 2018 Corporate Governance Code on engaging with the workforce and other stakeholders. In line with this John Martin has been appointed as the designated non-executive director for workforce engagement and we are hugely committed to this engagement and look forward to hearing the views of our employees.

Outlook and future opportunities

There is much for SOCO to look forward to in 2019 as the Company returns to growth. In Egypt, upon completion of the Merlon acquisition, we will seek to implement an increased drilling programme as we further develop the discovered resource base and test new exploration play concepts. In Vietnam we will look to pro-actively manage the production decline of TGT and CNV. On Blocks 125 & 126 2D seismic acquisition will commence mid-2019 in a new and exciting exploration basin. Upon completion of the Merlon acquisition and the implementation of the drilling programme in Egypt, our portfolio of Egyptian and Vietnam assets has the potential to offer one of the most competitive low operating cost production bases.

Since inception SOCO has been committed to shareholder value creation through the growth of the business and cash returns to shareholders. In line with this, the Board proposes a final dividend for 2018 of 5.5 pence per share.

We would like to thank our shareholders for their continued support. It is the firm belief of your Board, that with our competitive low-cost development projects, our strong financial stability, our culture of financial discipline and our talented and committed staff, SOCO is well placed to grow the business. The Board remains committed to delivering total shareholder returns through both dividends and capital growth. We continue to pursue new business opportunities where they are determined by the Board to be in the best interest of our shareholders.

A handwritten signature in black ink, appearing to read 'Rui de Sousa', with a stylized flourish underneath.

Rui de Sousa
Chair

A focus on future growth

On completion, the Merlon acquisition will be the first significant step forward to a full cycle growth orientated E&P company of scale delivering growth year on year through diversification and organisational strength.

Multiple identified prospects in proven petroleum systems deliver low risk upside from near field activity and increased acreage delivering good long term prospects.

+ Building scale

Incremental 2P (net WI) of 24 mmbbls
and 2C (net WI) of 37 mmbbls

Growth from discovered resources supports production
profile through scalable and efficient development

+ Stronger organisation

Operational, commercial and technical capabilities
in Egypt

Bridgehead to further organic and inorganic growth
in Egypt and the broader MENA region

+ Enhanced exploration optionality

1,570km² exploration acreage (of which c.70%
covered by 3D seismic)

Inventory of identified exploration prospects

Historic exploration success rate of 50% in concession

+ Portfolio diversification

New onshore production hub with 10 oil fields
in an established hydrocarbon province

Complements existing offshore Vietnam production
from TGT and CNV

Extension of SOCO portfolio across field life cycle
into development and exploration

Enhancing our strengths

SOCO has always been committed to capital discipline. It differentiates itself from its peers through its consistently strong balance sheet, steady cash flows, a portfolio of assets with a competitive low operating cost, recurring cash dividends, a strong safety record and a highly experienced management team with a demonstrable track record of creating and delivering value to shareholders.

Our history of shareholder returns

2006	Purchase of own shares	\$13.6m
2011	Purchase of own shares	\$6.8m
2012	Purchase of own shares	\$32.9m
2013	Cash return	\$213.0m
2014	Cash return	\$119.0m
2015	Dividend	\$51.0m
2016	Dividends	\$17.5m
2017	Dividend	\$21.0m
2018	Dividend	\$23.3m

Our people and experience

A strong team is at the heart of our business, they bring a unique skill set to SOCO.

SOCO's head office is located in London, where we have an established finance team. During 2018 we enhanced the corporate functions with the recruitment of a Head of Legal and Head of Commercial. In addition the Investor Relations department was established with the recruitment of a full time Group Investor Relations Manager.

The highly experienced and capable teams bring additional strength to our capability to manage an expanded portfolio and deliver our growth plans.

Local management teams

As we acquire business assets as part of our strategy for transformational growth, we work closely with the existing management teams to utilise their regional knowledge and expertise to improve and grow the assets to their full potential. We have a small regional office in Ho Chi Minh City and we look forward to welcoming the team in Cairo once the Merlon deal completes.

Cumulative returns to shareholders to date since inception (\$)

\$0.5bn

Responsible operations and strong safety record

We continue to work with our partners in Vietnam to maintain a high level of safety. We have worked to build and contribute to improvements in the safety culture in Vietnam and we are proud of our record of achievement.

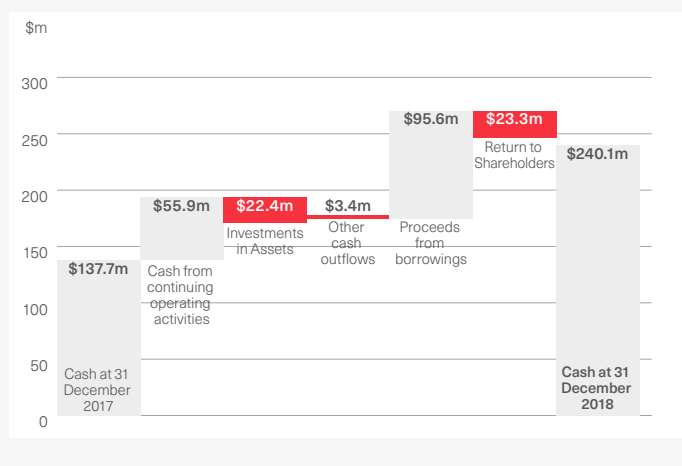
Lost time injury frequency rate

0

Financial stability

Steady revenues with low operating costs and good capital discipline provide a platform for growth.

Our strong cash position



Our vision

To create a full cycle, growth orientated E&P company of scale focused on maximising total shareholder returns.



M&A focus

We continue to target both organic and M&A led growth opportunities. Our strategic focus on growth will be achieved organically and through further M&A activity. Our key considerations that will enable us to identify the right deals are:

- + Geography (Asia/MENA)
- + Value accretive
- + Governance and Corporate Responsibility
- + Materiality/scale
- + Quality producing assets
- + Do-ability
- + Growth potential

→ Core strategic objectives page 16

Production and steady cash flow: platform for growth

Understanding the rebalanced oil market

Brent oil prices averaged \$73/bbl in 2018, an increase of 35% over 2017. Although demand for oil was relatively stable and continued to grow in 2018, changes in elements of the supply side continued to be the main cause of short-term volatility in oil prices. The United States' ("US") share of global oil supply continued to grow at the expense of declining market share for both OPEC and non-US producers, and contributed to the ongoing rebalancing of the global oil market.

Economics and political

2018 witnessed significant disruption in global politics, with the political landscape changing in several major countries. Parliamentary elections took place in a number of countries, including Colombia and Italy, and in the US mid-term elections the ruling Republican party lost control of the House of Representatives. Populism continued its global ascent as evidenced by the election victories of Presidents Andres Manuel Lopez Obrador in Mexico and Jair Bolsonaro in Brazil. Trade disputes were a persistent theme, notably in terms of ongoing negotiations between the US and both China and the EU. In the UK, Brexit negotiations continued without any firm resolution.

Global growth in 2018 is estimated by the World Bank to have been 3%, slightly lower than forecast at the start of the year¹.

In terms of advanced economics, growth in the US during 2018 remained strong at 2.9%, supported by fiscal stimulus. The Wall Street Journal ("WSJ") Dollar index, which measures the US currency's performance against a basket of 16 other major currencies, increased 4.3% in 2018 consistent with the US dollar's appreciation over the year². In contrast, activity in the euro area slowed from 2.4% in 2017 to 1.9% in 2018 on the back of lower net exports. GDP growth in emerging market and developing economies in 2018 was also lower than projected at 4.2%, a decrease of 0.1% from 2017.

Oil price

Although Brent oil prices dipped in Q4 2018, they averaged \$73/bbl over the year, an increase of 35% over 2017.

The International Energy Agency ("IEA") reported global oil demand increased by 1.3mmbpd (1.3%) in 2018 and in parallel, global inventories declined over the year³.

Although global economic growth is expected to moderate in 2019, and there are signs of oil substitution in some countries, notably in China, oil demand growth is still expected to continue, suggesting that peak oil demand may still be some years away⁴.

Demand for oil has been relatively stable, but elements of the supply-side continue to be the main cause of short-term volatility in the oil price. Brent touched a 2018 high of \$86 per bbl in October and a low of \$50 in December.

OPEC's share of global oil production fell below 40% in 2018, in part attributable to diminishing Venezuelan oil supplies and Iran sanctions⁵. Excluding the US, non-OPEC supplies continued to decline in 2018, consistent with the trend seen in recent years. In contrast, as the economics of US oil shale production once more benefited from a strengthening oil price, the US share of global oil production increased to almost 16% by the end of 2018.

¹ World Bank – January 2019 Global Economic Prospects; <http://www.worldbank.org/en/publication/global-economic-prospects>

² WSJ January 1 2019 "U.S. Dollar posted 4.3% gain in 2018, but don't expect that in 2019". <https://www.wsj.com/articles/u-s-dollar-posted-4-3-gain-in-2018-but-dont-expect-that-in-2019-11546365600>

³ IEA Oil Market Report February 2018 <https://www.iea.org/oilmarketreport/omrpublic/>

These continuing trends are anticipated to contribute to further rebalancing of the global oil market in the future.

SOCO has adopted strategic principles, and put policies and procedures in place aimed at protecting its business, and “future-proofing” it against the potential impact of short-term volatility in prices. SOCO’s strategy to mitigate this risk is set out on pages 36 to 38 in our discussion on principal risks.

SOCO regularly evaluates whether the benefit of hedging of its production is in the best interest of shareholders, by considering the balance between protecting the Group in low oil price scenarios against the opportunity cost of being unhedged. In addition, SOCO continues to manage its overall portfolio to ensure a low break-even oil price, regardless of actual oil prices.

In terms of portfolio discipline, SOCO undertakes regular assessment of its assets and seeks to dispose of those that do not meet our commercial viability criteria. Our strong ethos of capital discipline ensures that cost efficiencies are maintained, even in higher oil price environments. SOCO ensures all operational decisions – including new country entry, production optimisation and acquisitions and divestments – are reviewed through the lens of full-cycle project economics in a range of oil price scenarios.

Climate change regulation

Growth in global energy consumption is expected to continue to 2040. There is increasing demand for natural gas and renewables and, although demand for oil is expected to continue, it will likely make up a smaller percentage of the energy mix in the future⁶.

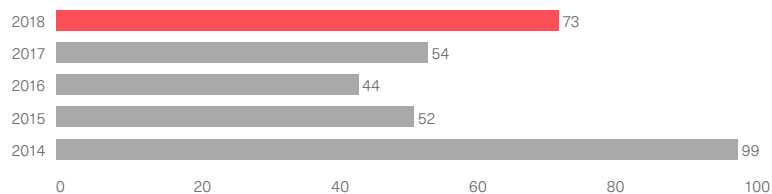
Climate change regulation and measures to limit greenhouse gas (“GHG”) emissions continued to be introduced across the globe in 2018, but related policy choices and legislative responses by individual governments remained varied. As a business SOCO continues to review its emissions with the objective of reducing them. We seek to be transparent in our emissions performance reporting and in 2018 we continued to monitor

our emissions and disclose them in accordance with UK industry requirements and standards. We participated in the Carbon Disclosure Project (“CDP”) and we set an objective to continue to work to improve GHG emissions management by identifying realistic initiatives and targets for emissions reduction. We work to ensure that our business is responsive to legal and regulatory developments. More information on SOCO’s emissions can be found in the Corporate Responsibility Report on page 44.

E&P M&A

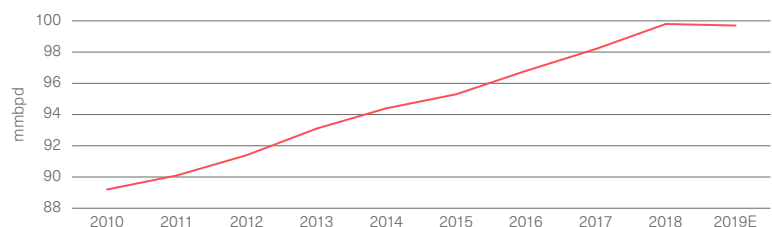
In 2018, IHS Herold reported that the value of oil and gas deals globally in 2018 totalled \$115bn. Through the Merlon acquisition, SOCO will be repositioned to support further growth not only in Egypt, but also in the wider Middle East and North Africa region, both organically and through additional mergers and acquisitions. We will continue to pursue new business opportunities in 2019 that add value for our shareholders.

Brent oil price 2014-2018 (\$/bbl)



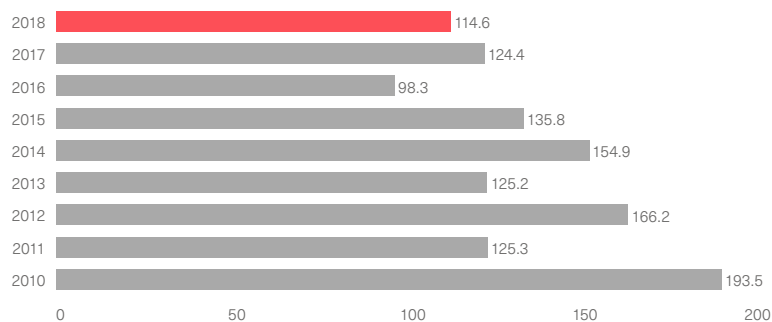
Source: REUTERS

Global crude oil consumption 2010-2019E



Source: EIA

Global E&P M&A Total Deal Value 2010-2018 (\$bn)



Source: IHS Herold

4 IEA Oil 2018 <https://www.iea.org/oil2018/>

5 European Central Bank Economic Bulletin, Issue /2019 https://www.ecb.europa.eu/pub/economic-bulletin/focus/2019/html/ecb.ebbox201901_01~dd4b3e4eb2.en.html

6 BP Statistical Review of World Energy 2018: Two steps forward, one step back, 13 June 2018. https://www.bp.com/en_br/brazil/sala-de-imprensa/noticias/bp-statistical-review-of-world-energy-2018.html

Expanding horizons with strength and agility

2018 was a year of achievements, opportunities and challenges for SOCO. Our objective is to expand and diversify the resource base to create a full-cycle, growth orientated E&P company of scale. Our strategy is to do that through M&A activity, capital structure, portfolio optimisation and organic growth. The team focused on implementing and execution of our strategy and made good progress in 2018.



Ed Story
 President and
 Chief Executive
 Officer



Q: With SOCO's strategy for achieving growth now in place, can you tell us more about the decision to acquire Merlon?

A: A key step forward for SOCO this year was the proposed acquisition of Merlon Petroleum El Fayum Company ("Merlon"), which has low-cost oil production assets in the prolific Western Desert region of Egypt, close to local energy infrastructure. The consideration will be satisfied through the payment of approximately \$136m in cash and the issue of c.66 million new SOCO shares. The acquisition will add proven and probable (2P) reserves of 24 million barrels and contingent (2C) resources of 37 million barrels. In addition to providing a high quality oil concession with significant development upside and exploration optionality, Merlon creates a new hub for our business in Egypt. We plan to utilise this platform to support further growth not only in Egypt but also the wider Middle East and North Africa region, both organically and through additional mergers and acquisitions. We have a high regard for the business that Merlon has established in Egypt and look forward to working with our new colleagues.



Egypt proven and probable (2P) reserves

24 mmbbls

Egypt estimated contingent (2C) resources

37 mmbbls

Chief Executive Officer's statement
continued

Q: SOCO has a history of financial stability and a strong balance sheet did this continue in 2018?

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A: SOCO's balance sheet remained strong throughout 2018 and the Company had solid cash flows and low cash operating costs. In September we announced that we had put in place a new RBL facility and we were pleased to have received such strong interest in the bank market and firm support from our new lenders. The facility provides balance sheet efficiency and financial flexibility.

The Group finished the year with cash balances of \$240.1m, which includes the \$100m drawn down from the RBL, after fully funding its operating and capital expenditure programmes and returning \$23.3m to shareholders through a 5.25 pence per share dividend. Revenues were \$175.1m. The average realised oil price per barrel achieved for the same period was approximately \$74/bbl, representing a premium of over \$3/bbl to Brent.

Q: Can you tell us about the assets in Vietnam and the change in Vietnam reserves?

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A: Operations in Vietnam were not without challenges in 2018 and production was affected by the late arrival of a drilling rig and equipment, operational issues and further weather related rig delays. In addition, gas compressor inefficiencies and the third-party production through the FPSO also had an impact on TGT's 2018 production performance. Actions are being taken to help mitigate the impact of these issues and delays, including acceleration of key workovers, upgrade of the gas compressors and optimised management of the third party FPSO throughput. Group production was 7,274 boepd (2017: 8,276 boepd) net to SOCO's working interest. Group 2018 year-end Vietnam commercial (2P) reserves are 23.0 mmboe (2017: 28.1 mmboe). TGT and CNV reserves were re-evaluated in February 2019 and revised following 2018 production from 25.4 mmboe to 23.0 mmboe. TGT reserves were revised downwards due to operational delays causing recovery of some production volumes to slip beyond the licence expiry date. CNV reserves were revised upwards following successful execution of the 2018 work programme, the impact of which had not been reflected in year end 2017 reported volumes. Production guidance for 2019 remains at 6,500-7,500 boepd.

Significant cost savings for the TGT field were secured in 2018, through the extension of two key operational contracts; the Bare Boat Charter for the FPSO Armada TGT 1, which applies to the period 27 August 2018 to 14 November 2024, and the revised FPSO Operations and Maintenance Agreement. Overall, these two contract extensions have resulted in significant operating cost savings of over \$40m (gross and pre-tax) over the extension period relative to extension of the original contract with no changes.

Q: Are you looking at more M&A activity?

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A: We are constantly evaluating new business opportunities. We make no promises about securing another transaction in 2019 but what I can say is that we consider new business opportunities carefully and will only ever do a deal if it is in the best interest of our shareholders. We are keen to do the right deals not just any deals.

Q: What is the situation regarding your presence in West Africa?

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A: In line with our strategy to optimise the SOCO portfolio, and our announced plans to exit from our West African positions, SOCO completed the sale of its former interests in Congo (Brazzaville) and in the Cabinda North Block, Angola in 2018. The combination of existing cash, the new credit facility and the cash flow from our producing assets in Vietnam ensures that we are funded to take advantage of acquisition opportunities in line with our strategy of creating a full-cycle exploration and production company with a diversified portfolio.

Q: What has been the strategic focus for 2018?

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A: During 2018, SOCO's focus has been to further strengthen the business through growth opportunities and to build scale, all the while underpinned by our relentless focus on financial discipline and shareholder return. These strong foundations have been built as a result of a great deal of hard work and I would like to thank all our staff for their effort and contribution to our achievements this year.

Q: What are the priorities for SOCO going forward?

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A: Upon completion, the Merlon acquisition will mark a significant turning point for SOCO, doubling its production and opening up a whole new region of potential future opportunities. We look to deliver on increased production in Egypt and on our exploration plans in both Egypt and Vietnam. Activity in 2019 is expected to include implementing an increased drilling programme in Egypt as we further develop the discovered resource base and test new exploration play concepts. Our portfolio of Egyptian and Vietnam assets has the potential to offer one of the most competitive low operating cost production bases. In Vietnam we will look to pro-actively manage the production decline of TGT and CNV. On Blocks 125 & 126, 2D seismic acquisition will commence mid-2019 in a new and exciting exploration basin.

Q: What about your duty to be a socially responsible business and a positive presence in the areas you operate in?

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A: We aim to build a business fostering and developing good relationships with host countries so that we are partner of choice. Safety will always be of the highest priority within the business and, just as SOCO's Joint Operations have achieved an outstanding record of safety in Vietnam, we will work to continue this success in Egypt. Our goal is to have a responsible and positive presence in the regions in which we operate, resulting in value for the host countries, local communities, employees, contractors and shareholders.

Q: For potential investors what would you say are the key differentiators that make SOCO such an attractive proposition?

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A: SOCO has always been committed to capital discipline and differentiates itself amongst its peers by having a consistently strong and efficient balance sheet, a portfolio of assets with a competitive low operating cost, steady cash flows, recurring cash dividends and a highly experienced management team with a demonstrable track record of creating and delivering value to shareholders. This year has sown the seeds of an important return to growth for the business and I am confident in the outlook for the Company.



Ed Story
 President and Chief Executive Officer

Our strategy for growth

Our strategy is to deliver value for shareholders both through dividends and growth; by building a balanced and diverse portfolio of cash generative and development assets which provide robust risk adjusted returns through the oil and gas lifecycle.

All underpinned by production and steady cash flows and encompassing corporate responsibility, corporate governance and financial discipline.

01/ Growth orientated

Identifying inorganic and organic growth opportunities to build scale.

Targeting growth opportunities, actively managing portfolio through investments and divestments. Seeking low cost, cash flow accretive assets with a focus on production and near term developments, where we can create value for shareholders and that we manage safely, to high operational and safety standards, using local staff and suppliers.

02/ Focus on stakeholders

Dialogue with shareholders, local communities, host governments, employees, contractors and others in the supply chain. We seek to have engagement through formal and informal processes and an open dialogue with our stakeholders, considering matters that are important to our stakeholders and to the successful delivery of our corporate objectives.

03/ Stewards of capital

A culture of prudent financial management, capital allocation and capital return.

Capital discipline focuses on controlling and managing costs. Capital allocation decisions are taken to make investments where they will provide risk adjusted full cycle returns. It is this approach that has allowed us to return significant amounts of capital to shareholders. We have looked to add another strand to the story – capital growth – to underpin the sustainability of dividends over the longer term.

A year in review



Progress

Portfolio optimisation is where we actively manage the asset portfolio through divestments and acquisitions. During 2017 we reviewed our strategic priorities and the Board decided our assets in Congo (Brazzaville) and Angola were no longer a core priority for the Group. SOCO sold these assets during 2018.

Future priorities

We continue to look for new business opportunities of scale, that will deliver shareholder returns through dividends and capital growth.

01

Portfolio optimisation /

→ Investment case
page 08



02

M&A activity / & organic growth

Progress

During the year SOCO refreshed its pursuit of growth opportunities, supported by the establishment of a business development team. In September 2018, SOCO announced that it had agreed the acquisition of Merlon El Fayum's onshore oil assets in Egypt. The acquisition complements and diversifies SOCO's existing Vietnam-focused portfolio, builds scale through the doubling of our reserves and resources, increases SOCO's through-cycle financial resilience through the low cost resource base, and provides tangible production growth, re-setting SOCO's growth trajectory.

Future priorities

In Egypt we will seek to implement an increased drilling programme as we further develop the discovered resource base and test new exploration play concepts. In Vietnam we will look to manage the production decline of TGT and CNV. On Blocks 125 & 126, 2D seismic acquisition will commence mid 2019 in a new and exciting exploration basin.

→ Operations review
page 24

03 Capital structure discipline

Progress

SOCO always had a strong financial base and balance sheet. In 2018 we put in place a new debt facility of \$125m with an accordion feature of a further \$125m available for additional investments. This leverage remains conservative but increases the efficiency of the balance sheet.

Future priorities

The debt facility provides us with an efficient balance sheet and financial flexibility for funding further acquisitions.

Our pursuit of growth opportunities will always be positioned within our long standing strategy of building value for shareholders.

→ Finance review
page 32



Our business model is to build for the future

Inputs

Our people

- + Extensive industry experience
- + Technical abilities
- + Commercial experience
- + Relationships

Our investment strategy

- + Investment in assets
- + Mergers and acquisitions
- + Organic growth

Our capital

- + Low operating cost
- + Balance sheet efficiency
- + Debt capacity

→ Acquire

→ Produce / Develop

→ Invest

We aim to build a business focused on sustainable cash flow generation, maximising value creation and total shareholder return. We have the right people and the financial strength to unlock opportunities, create value and to grow the business.

Experienced management team identifying established high margin, low risk producing assets enabling geographical asset diversification and increase in exploration acreage growth leading to value growth.

Value outputs

Growth through acquisition

- + Merlon acquisition
- + Reserves addition 24 mmbbls (2P) and reserves growth 37 mmbbls (2C)
- + Conventional and unconventional exploration potential

Production increase through acquisitions and through development of existing discovered resource. Maximising margins through optimising production and low operating costs. Responsible operations; operating safely at all times.

Group production metrics

- + Group production increase through M&A activity
- + Low cost per barrel
- + Continued development of Vietnam assets
- + Responsible and safe operations

Capital growth from operations and portfolio optimisation leading to M&A activity and future production growth resulting in greater value and returns from capital growth and yield.

Stakeholders

- + NAV growth and share price
- + Dividend payments
- + Free cash flow; value return into business to drive organic and inorganic growth
- + In country economic contribution and social investment
- + Employment and training

Monitoring our progress to deliver performance

Lost Time Injury Frequency ("LTIF") (Per Million Man-Hours Worked)

0

2018 | 0
2017 | 0
2016 | 0

Description:

We are committed to operating safely and responsibly at all times. Having a positive impact on the wellbeing of our employees, our contractors and the local communities in which we operate is a priority.

Objective:

SOCO's key safety target is zero LTIF.

Performance:

Zero LTIF in the year.

Outlook:

Continue to work with the JOC's to maintain the high safety standards with the aim of driving continuous improvement year-on-year and look to replicate this in Egypt.

Links to strategy:

- Focus on Stakeholders

Associated risks:

- Health, Safety, Environmental and Social risk
- Stakeholder risk

Links to remuneration report (See page 82)



Net production (boepd)

7,274

2018 7,274
2017 8,276
2016 9,883

Description:

Production revenues generate cash flow which is re-invested in our portfolio of assets, new business opportunities, and in returns to shareholders.

Objective:

Optimise production from SOCO's asset base.

Performance:

2018 production rate was adversely affected by operational, weather and equipment and rig delays.

Outlook:

2019 work programme includes two firm wells to be drilled by the end of 2019, and an increased drilling programme in Egypt upon completion.

Links to strategy:

- Deliver value through growth

Associated risks:

- Reserve risk

Links to remuneration report (See page 82)



Low cash operating cost (\$/boe)

13.63

2018 13.63
2017 13.73
2016 11.70

Description:

Our low operating expenditure helps deliver high margin production revenues. The cost of producing a single barrel of oil is influenced by industry costs, inflation, fixed costs and production output.

Objective:

To be profitable at lower oil prices.

Performance:

SOCO achieved an operating cost of \$13.63/boe in 2018, a slight improvement over 2017.

Outlook:

We have low operating cost base which we plan to maintain in 2019.

Links to strategy:

- Deliver value through growth

Associated risks:

- Partner alignment risk
- Political and regional risk

Links to remuneration report (See page 82)



The financial and non-financial metrics facilitate better management of long-term performance and delivering on our sustainable responsible business plans. They are kept under periodic review and regularly tested for relevance against our strategies and policies.

Returns to shareholders (Pence per ordinary share)

5.25p



Description:

Since 2006 SOCO has paid a regular dividend to shareholders.

Objective:

Sustainable cash returns to shareholders.

Performance:

SOCO's business model continues to deliver cash returns to shareholders and during the year paid a 5.25 pence per ordinary share, an increase from 2017.

Outlook:

An annual dividend is a key aspect of our capital discipline and investment thesis.

Links to strategy:

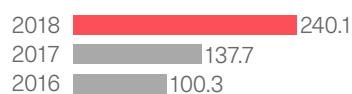
– Return to shareholders

Associated risks:

– Commodity price risk

Cash, cash equivalents and liquid investments (\$m)

240.1



Description:

SOCO has a history of stable finances and a strong balance sheet due to prudent management of its producing assets.

Objective:

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

Performance:

SOCO has a cash balance of \$240.1m whilst also returning cash to shareholders.

Outlook:

SOCO has a culture of capital discipline, capital allocation and capital returns and this remains the key focus as we grow the business.

Links to strategy:

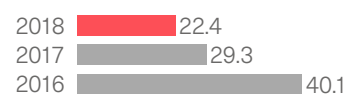
– Deliver values through growth
– Return to shareholders

Associated risks:

– Commodity price risk
– Financial discipline and governance risk

Capital expenditure (Cash \$m)*includes abandonment funding

22.4



Description:

Investment in our asset base required to maintain and grow the business and is directed to our assets in Vietnam currently.

Objective:

Allocate capital to achieve high and feasible returns.

Performance:

The 2018 cash capital expenditure was lower than anticipated reflecting the delay in the drilling campaign and the deferral to 2019 of seismic acquisition on exploration Blocks 125 & 126 in Vietnam.

Outlook:

Our cash capital expenditure budget for 2019 is \$33.8m and is substantially the TGT drilling campaign and 2D seismic acquisition of Blocks 125&126.

Links to strategy:

– Deliver value through growth
– Investment growth

Associated risks:

– Commodity price risk
– Partner alignment risk

Review of operations



Antony Maris
Chief Operating Officer

We have existing producing assets in Vietnam, the Merlon acquisition will help us achieve increased production and reserves growth.

Block 125

Block 126

Block 9-2

Block 16-1

Vietnam an established asset

In Vietnam we have two producing fields
and two exploration blocks.

Blocks

16-1

The TGT field is situated in Block 16-1, offshore Vietnam in the shallow water Cuu Long Basin, approximately 100km from Vung Tau. Block 16-1 was awarded to SOCO in 1999. Production from TGT began in 2011 and to date 41 wells have been drilled and an estimated 78 mmbob produced. Oil from TGT is transported by a sub-sea pipeline to a nearby leased Floating Production Storage and offloading 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.

SOCO interest
30.5% working interest

Operator
Hoang Long Joint Operating Company

Location
Cuu Long Basin, offshore Vietnam

Operational phase
Production/ field development

9-2

The CNV field is located in Block 9-2, offshore Vietnam, in the shallow water Cuu Long Basin. Block 9-2 was awarded to SOCO in 2000. The CNV field was first discovered in 2002 by the CNV-1X well and production began in July 2008. The oil and gas produced from CNV are transported by sub-sea pipeline to a nearby central processing platform operated by Vietsovpetro. Here the oil and gas are separated and gas is transported via pipeline to an onshore gas facility. The oil is held in a storage vessel prior to sale.

SOCO interest
25% working interest

Operator
Hoan Vu Joint Operating Company

Location
Cuu Long Basin, offshore Vietnam

Operational phase
Production/ field development

125 126

Blocks 125 & 126, awarded in 2017, are in moderate to deep waters in the Phu Khanh Basin, north east of the Cuu Long Basin. Multiple structural and stratigraphic plays are observed on the existing 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.

SOCO interest
70% working interest

Operator
SOCO Exploration (Vietnam)

Location
Phu Khanh basin, offshore Vietnam

Operational phase
Exploration

Production

Exploration

Vietnam

Blocks 16-1 and 9-2, which contain the TGT and CNV fields respectively, are located in shallow water in the hydrocarbon-rich Cuu Long Basin, near the Bach Ho field, the largest in the region with production already in excess of one billion barrels of oil equivalent. 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. The Group holds a 30.5% working interest in Block 16-1 and a 25% working interest in Block 9-2 and its 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.

Production summary

Production in 2018 from the TGT and CNV fields net to the Group's working interest average was 7,274 boepd (2017: 8,276 boepd). This is in line with the production guidance of 7,000 to 7,400 boepd given on 20 September 2018. TGT 2018 production averaged 18,857 boepd gross and 5,686 boepd net to SOCO (2017: 22,300 boepd gross and 6,724 boepd net). CNV production averaged 6,352 boepd gross and 1,588 boepd net to SOCO (2017: 6,206 boepd gross and 1,552 boepd net).

The Group's Vietnam production guidance for 2019 remains 6,500-7,500 boepd. Actual production at the higher end of this range will depend on several operational factors, including the timing of the drilling, completion and hook-up of the two firm TGT wells in the approved 2019 work programme.

The average realised crude oil price for 2018 was approximately \$74 per bbl, a premium to Brent of over \$3 per bbl.

Vietnam development and operations

Block/
9-2

CNV field

25% interest

Operated by HVJOC

CNV production averaged 6,352 boepd gross and 1,588 boepd net to SOCO's working interest in 2018 (2017: 6,206 boepd gross and 1,552 boepd, respectively).

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 a 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 STOIP calculations are not straightforward but, managed properly, the fractured Basement reservoir declines at a much slower rate than commonly seen in clastic reservoirs. Hydrocarbons produced from CNV are transported via subsea pipeline to the BHCPP, where wet gas is separated from oil and transported via pipeline to an onshore gas facility for further distribution. The crude oil is stored on a floating, storage and offloading vessel prior to sale, realising a premium to Brent.

CNV Production wells

The Japan Drilling Company Hakuryu-II jack-up rig drilled the CNV-5PST3 side-track well, finishing in mid-October. As a result of mechanical and operational difficulties completion of the well took longer than anticipated and consequently the excessive volume of sea-water losses in the fractured reservoir were beyond the original coiled tubing nitrogen lift specification. The water injection pipeline was subsequently converted to transport gas and lift operations commenced. Operations are now running normally with CNV-5PST3 and, although flowing naturally, the well continues to clean-up and oil flow may further improve as the well stabilises. Following the well completion, the rig was moved to the TGT H5-WHP.

Oil and gas production by field (figures in boepd)

	FY 2018	FY 2017
TGT production	5,686	6,724
Oil	5,346	6,299
Gas ¹	340	425
CNV production	1,588	1,552
Oil	1,052	1,037
Gas ¹	536	515
Total production	7,274	8,276
Oil	6,398	7,336
Gas ¹		940

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

Block/ **16-1****TGT field****30.5% interest****Operated by HLJOC**

TGT production averaged 18,857 boepd gross and 5,686 boepd net to SOCO's working interest in 2018 (2017: 22,300 boepd gross and 6,724 boepd net, respectively).

The TGT field is located in the north eastern part of Block 16-1, offshore southern Vietnam and is operated by the HLJOC. The Block 16-1 petroleum contract was originally signed in December 1999, with the first commercial discovery made in 2005. TGT is a simple structure, with a series of stacked producing intervals, extending over 16km and with hydrocarbons located in at least five major fault blocks. The producing reservoirs comprise a complex series of over 80 clastic reservoir intervals of Miocene and Oligocene age. Each interval requires individual reservoir management to optimise field recovery. The TGT field continues to be a rewarding investment for SOCO, with its attractive fiscal terms, low operating costs and an oil quality which realises a premium to Brent.

The first platform, H1-WHP, came on stream in August 2011, followed by the H4-WHP in July 2012 and the H5-WHP in August 2015. Crude oil from TGT is transported via subsea pipeline to the FPSO, where it is processed, stored and exported by tankers to regional oil refineries. Gas produced from the field is exported by pipeline to the nearby Bach Ho facilities for processing and onward transportation to shore by pipeline to supply the Vietnamese domestic market.

TGT Production wells

The PetroVietnam Drilling rig, PVD-1, successfully completed TGT-16AP and the rig was released in Q3 2018.

The Hakuryu-II jack-up rig arrived at the H5-WHP on 19 October 2018 and successfully drilled the TGT-14XST3 well. This well was a re-drill of the reservoir section of the H5 South prospect, to the south of the main H5 area. The well operations were completed on 2 December 2018 and the rig was moved to the TGT-31P location.

The TGT-31P well was drilled through the main reservoir sections to total target depth on 16 January 2019 targeting the deeper high temperature, high pressure section below the main producing horizons at the H5-WHP. The deep section encountered hydrocarbons in the D1 and E Oligocene targets. A single DST was conducted and oil flowed to surface under controlled conditions. Evaluation of this data to appraise the possible additional potential in the equivalent deeper sections of the wider TGT area is ongoing to establish if this new high pressure, high temperature play continues in the up-dip TGT fault blocks to the north.

FPSO Contract

Significant cost savings for the TGT field were secured in 2018, through the extension of two key operational contracts; the Bare Boat Charter for the FPSO Armada TGT 1, which applies to the period 27 August 2018 to 14 November 2024, and the revised FPSO Operations and Maintenance Agreement. Overall, these two contract extensions have resulted in significant operating cost savings of over \$40m (gross and pre-tax) over the contracts' extension period relative to extension of the original contract with no changes.

TGT Compressors and FPSO Tie-in Agreement ("TIA") Compressors

As announced on 14 February 2019, tests to evaluate solutions for inefficiencies in the gas compressors have confirmed that the gas from a third party well was the main cause of the gas compressors suffering unplanned outages and delivering lower gas lift, which impacted on TGT oil production. Production from the third-party well is currently being managed to reduce the gas flare and the effect on TGT production. Upgrade work to the compressors is scheduled to begin Q4 2019.

The existing TIA for the FPSO between the HLJOC and the third-party, the Thang Long Joint Operating Company ("TLJOC"), expired on 30 August 2018, and an interim agreement has been put in place while new terms for the third-party production are being negotiated. The interim agreement between the HLJOC and the TLJOC includes a cost sharing mechanism that has resulted in a reduction in operating costs to the HLJOC.

2019 work programme

On TGT, the 2019 work programme and budget was formally approved by the HLJOC on 22 January 2019. The programme includes two firm and two contingent in-field wells, 18 well interventions and the upgrade of the gas compressors. Due to likely timing of the rig tendering process, the HLJOC anticipates that the wells in the approved 2019 TGT work programme will not be drilled before late 2019.

Vietnam Exploration

Blocks/ **125&126**

70% interest

SOCO-operated

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

Acquisition of new 2D seismic acquisition is targeted to commence mid-year 2019.

Divestments

Marine XI Block, offshore Congo (Brazzaville) (40.39% working interest, SOCO-operated) and Cabinda North Block, onshore Angola (non-operated, 22% working interest)

As announced on 25 June 2018, SOCO signed and completed a sale and purchase agreement with Coastal Energy Congo Limited ("Coastal"), to sell its entire shareholding in SOCO Congo Limited, the entity indirectly holding the Group's former interests in Congo (Brazzaville). Under the agreement Coastal acquired SOCO Congo Limited for a cash consideration of up to US\$10m and an overriding royalty on all future gross oil and condensate production sold from those interests.

On 5 October 2018, SOCO announced completion of the sale of the Group's entire 80 per cent. shareholding in SOCO Cabinda Limited and the receipt of the cash consideration of US\$5 million plus a small working capital adjustment for the period between 30 June 2018 and completion.

Group reserves and contingent resources

In accordance with the requirements of its new Reserve Base Lending Facility announced on 17 September 2018, SOCO commissioned an independent audit of gross (100% field) reserves for TGT and CNV, as of 31 December 2018, by RISC Advisory Pty Ltd ("RISC"). The numbers in the table below are SOCO's revisions to Vietnam reserves, based on SOCO's unitised working interest of the gross reserves. The gross reserves have been independently agreed by RISC.

SOCO working interest reserves and resources TGT field at 31 December 2018 (Figures in mmboe)

Reserves	1P	2P	3P
Oil	11.6	15.3	19.5
Gas ¹	0.5	0.9	1.4
Total	12.1	16.2	20.9
Contingent Resources	1C	2C	3C
Oil	5.3	11.5	18.1
Gas ¹	0.2	0.7	1.2
Total	5.5	12.2	19.3
Sum of Reserves and Contingent Resources ²	1P & 1C	2P & 2C	3P & 3C
Oil	16.9	26.8	37.6
Gas ¹	0.7	1.6	2.6
Total	17.6	28.4	40.2

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

SOCO working interest reserves and contingent resources CNV field at 31 December 2018 (Figures in mmboe)

Reserves	1P	2P	3P
Oil	3.3	4.5	5.8
Gas ¹	1.6	2.3	2.9
Total	4.9	6.8	8.7
Contingent Resources	1C	2C	3C
Oil	1.1	2.8	4.5
Gas ¹	0.6	1.4	2.2
Total	1.7	4.2	6.7
Sum of Reserves and Contingent Resources ²	1P & 1C	2P & 2C	3P & 3C
Oil	4.4	7.3	10.3
Gas ¹	2.2	3.7	5.1
Total	6.6	11.0	15.4

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.

On TGT, reserves were revised downwards due to operational delays causing recovery of some production volumes to slip beyond the licence expiry date.

On CNV, the reported reserves position at 31 December 2017 did not include the potential impact of the 2018 work programme, as this had not yet been approved by the Hoan Vu Joint Operating Company. The execution of the 2018 work programme, although delayed, has resulted in successful production performance which has now been taken into account, resulting in an improvement in the field's reserves.

SOCO's acquisition of Merlon Petroleum El Fayum Company ("Merlon"), anticipated to complete in 1H 2019, is expected to add 24 mmbbl 2P reserves as at 30 June 2018, consistent with LR Senegy's CPR included in the Circular for the transaction.

New business

The period saw SOCO enter into the proposed acquisition of Merlon. This marked a significant turning point for the Group, providing a high quality, oil concession with significant development upside and exploration optionality. The acquisition will create a new hub for SOCO in Egypt, which the Group will utilise to support further growth not only in Egypt but also the wider MENA region, both organically and through additional M&A.

The SOCO team has a track record of delivering shareholder value through asset acquisition and monetisation, delivering large scale developments, and returning capital to shareholders. We evaluate M&A opportunities by reference to our strategic, financial and operational criteria and only pursue transactions if they are determined by the Board to be in the best interest of shareholders. The Board continues to evaluate a number of opportunities in accordance with these criteria.

A grid of 20 columns and 20 rows of '+' symbols, likely representing a data table or a placeholder.

2018 Production
2017: 8,276 BOEPPD

7,274
BOEPPD

Egypt — growth opportunities

Block

El Fayum

SOCO interest

100% – participating interest

Operator

Petrosilah

Location

Western Desert, Egypt

Operational phase

Production/field development/exploration

The El Fayum concession is located in the low-cost and highly prolific Western Desert, c.80km south west of Cairo and in proximity to local energy infrastructure. It consists of 10 oil fields and builds scale by doubling our production, adding incremental 2P (net) working interest reserves of 24 mmbbls and 2C (net) working interest resources of 37 mmbbls. Merlon El Fayum produced 7,859 bopd (net) in 2017, with the potential to increase production levels to a target in excess of 15,000 bopd (net) by 2023 through the recovery of its discovered 2P reserves and 2C resources.

In addition, the El Fayum concession will provide SOCO with nearly 1,570km² of exploration acreage, of which c.70% is covered by existing 3D seismic, with multiple, identified exploration prospects in proven petroleum systems, as well as a large under explored area in the northern portion of the concession. It is a platform to enable future organic and inorganic growth in Egypt and the wider Middle East and North Africa region. Our new colleagues have a proven ability to create and realise value and have evolved the assets into a production and development business.

Reserves and Resources

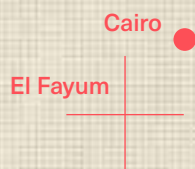
24

mmbbls (net WI) (2P)

37

mmbbls (net WI) (2C)

On 25 September 2018, SOCO announced the proposed acquisition of Merlon Petroleum El Fayum Company. Shareholder approval was gained on the 21 December 2018. Completion remains subject to the satisfaction or, where permitted, waiver of certain Conditions under the Share Purchase Agreement. SOCO expects the completion of the acquisition will occur in 1H 2019.

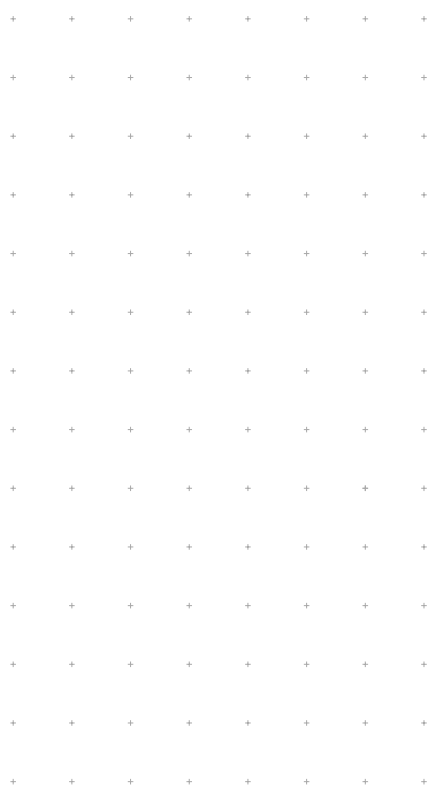


Egypt operations **El Fayum** /
c.80km SW Cairo /
1,826km² /



Jann Brown
Managing Director and
Chief Financial Officer

Building on financial strength



SOCO's financial strength is founded on our long term approach to managing capital. The finance strategy is founded on three core areas of focus – capital discipline, capital allocation and capital return.

Finance strategy

Our finance strategy underpins the Group's business model and goes hand in hand with our commitment to building shareholder value through capital growth and dividends.

The finance strategy is founded on three core areas– capital discipline, capital allocation and capital return.

During 2018, we generated operating cash flow from continuing operations of \$55.9m (2017: \$45.0m). In addition, we entered into an Reserves Based Lending facility ("RBL"). The facility has been arranged and underwritten by BNP Paribas, Crédit Agricole Corporate and Investment Bank and Standard Chartered Bank.

The RBL has \$125m secured over the Vietnam assets, of which \$100m was drawn in December 2018 to part fund the cash consideration element of the proposed Merlon El Fayum Company acquisition. The RBL facility also includes an uncommitted accordion feature of a further \$125m, which can be activated by bringing new assets in to the borrowing base.

We have a low cost asset base and our operating cash flows plus the accordion feature of the RBL facility provide us with the financial flexibility and capacity to support the right projects and growth opportunities.

Operating performance

The Group continued to deliver robust revenue of \$175.1m representing a 12% increase over the prior year (2017: \$156.2m). The increase year on year is the result of the higher average realised crude oil price of \$74.34/bbl (2017: \$56.43/bbl), a \$3/bbl premium to Brent, offset by the decline in production levels from 8,276 boepd to 7,274 boepd.

Cash operating costs decreased to \$36.2m (2017: \$41.5m), mainly as result of the improved terms of the extended FPSO and bareboat charter contracts. DD&A reduced to \$51.8m (2017: \$56.5m), largely as a function of the number of barrels produced.

Administrative expenses for the year totalled \$28.4m (2017: \$18.3m) and included \$12.0m (2017: \$4.7m) on new venture third party costs, reflecting the renewed effort on portfolio rationalisation and capturing new business.

During 2019, the underlying staff cost will reduce following an internal restructuring and streamlining of the Head Office function.

Operating profit from continuing operations, for the year, was \$79.9m (2017: \$22.9m), which included \$37.8m reversal of the impairment charge in CNV.

Taxation

The tax expense for the year increased to \$56.0m (2017: \$27.7m) in line with profit and the impact of the reversal of the impairment charge (\$13.9m). The Group's effective tax rate approximates to the statutory tax rate in Vietnam of 50%, after adjusting for non-deductible expenditure.

Profit post tax

Profit post tax for the period from continuing operations was \$24.1m (2017: loss \$5m). Following our sale of the interests in Congo (Brazzaville) and Angola, results from these assets have been classified as discontinued operations for all periods shown, with a resulting post-tax profit from discontinued operations of \$3.6m (2017: loss \$152.3m). This profit reflects the \$5.0m of proceeds from the sale of Angola, which had a \$nil carrying value following the impairment of the exploration assets in prior years, offset by costs of exit from both these positions.

Cash flow

Net cash flow from operations in Vietnam amounted to \$55.9m (2017: \$45.0m).

Net operating cash flow for the year (before working capital movements) was \$96.7m (2017: \$81.7m). Capital expenditure on continuing operations for the year was \$22.4m (2017: \$25.2m).

Revenue

\$175.1m

2017: \$156.2m

This reduction year on year is in part due to deferral of acquisition of seismic data on Blocks 125 & 126 and delay of the TGT drilling programme into 2019.

Net cash flows from investing activities included a cash outflow from the disposal of a subsidiary Congo (Brazzaville) of \$4.5m, to match the transfer of accrued liabilities, offset by a cash inflow for the sale of the Angolan assets of \$5m.

A final dividend for the year of \$23.3m (2017: \$21.0m) was paid to shareholders in June 2018 following approval of a final dividend of 5.25p (2017: 5.00p) per share at the 2018 AGM.

Cash operating cost per barrel*

	2018 \$m	2017 \$m
Cost of sales	104.6	115.0
Less:		
Depreciation, depletion and amortisation	(51.8)	(56.5)
Production based taxes	(15.1)	(13.6)
Inventories	(0.1)	(1.5)
Other cost of sales	(1.4)	(1.9)
Cash operating costs	36.20	41.5
Production (BOEPD)	7,274	8,276
Cash operating cost per BOE (\$)	13.63	13.73

DD&A per barrel*

	2018 \$m	2017 \$m
Depreciation, depletion and amortisation	51.8	56.5
Production (BOEPD)	7,274	8,276
DD&A per BOE (\$)	19.51	18.72

* Cash operating cost per barrel and DD&A per barrel are alternative performance measure. See page 136.

Tax strategy and total tax contribution

Tax is managed proactively and responsibly with the goal of ensuring that the Group is compliant in all countries in which it holds interests. Any tax planning undertaken is commercially driven and within the spirit as well as the letter of the law. This approach forms an integral part of SOCO's sustainable business model.

The Group's Code of Business Conduct & Ethics seeks to build open, cooperative and constructive relationships with tax authorities and governmental bodies in all territories in which it operates. The Group supports greater transparency in tax reporting to build and maintain stakeholder trust. We have a number of overseas subsidiaries, set up some time ago and the Group is now proactively planning to bring these into the UK tax net to ensure greater transparency and comparability. No additional taxes are expected to be due as a result of this exercise.

During 2018, the total payments to governments for the Group amounted to \$202.4m, of which \$196.5m or 97% was related to the Vietnam producing licence areas, of which \$133.0m (2017: \$117.8m) was for indirect taxes based on production entitlement. The breakdown of the other contributions, including payroll taxes and other taxes is contained within the additional information in the 2018 Annual Report and Accounts.

Movements in the Property, Plant and Equipment

	2018 \$m
As at 1 Jan 2018	505.9
Capital spend	15.5
DD&A	(52.0)
Reversal of impairment	37.8
As at 31 Dec 2018	507.2

Balance sheet

The \$2.0m incurred on Blocks 125 & 126 in Vietnam was booked to Intangible assets, which now stand at \$5.8m (2017: \$3.8m).

The movements in the Property, Plant and Equipment asset class are shown above.

In 2014 an impairment of the Group's CNV asset of \$60.5m and associated \$22.3m deferred tax was charged to the Income Statement. The 2018 upward revision in the 2P reserves of this asset has resulted in a reversal of the impairment of \$37.8m in the period and \$13.9m reversal of the tax asset.

Cash is set aside for abandonment on both TGT and CNV in the form of abandonment funds for each field. These abandonment funds are operated by PetroVietnam and, as the Group retains the legal rights to the funds pending commencement of abandonment operations, they are treated as other non-current assets in our financial statements.

Oil inventory was \$4.1m at 31 December 2018 (2017: \$4.2m). Trade and other receivables decreased to \$19.6m (2017: \$20.7m) largely due to the timing of crude oil cargos.

Cash and cash equivalents, including liquid investments, prior to the drawdown of \$100m from the RBL facility, were steady at \$140.1m. (2017: \$137.7m).

The drawdown is included in the balance sheet as cash. There were no liquid investments at 31 December 2018 (2017: \$25.3m) as these were moved to liquid investments of less than three months' maturity and so classified as Cash and cash equivalents.

Trade and other payables were almost flat at \$22.9m (2017: \$23.1m). Tax payable was \$5.2m (2017: \$6.8m)

Long term provisions comprise the Group's decommissioning obligations in Vietnam which has decreased from \$52.7m at 2017 year-end to \$51.7m at 2018 due to a decrease in the inflation rate used from 2.5% to 2%, offset by unwinding of the discount \$1.4m.

Revenue
2017: \$156.2m

\$175.1m

Operating cash flow
2017: \$45.0m

\$55.9m

Own shares

The SOCO EBT holds ordinary shares of the Company for the purposes of satisfying long term incentive awards for senior management. During the year the EBT bought 1,139,861 shares at an average cost of £0.8712 per share. Following this acquisition, the EBT held 2,897,094 (2017: 2,114,596) shares as at 31 December 2018, representing 0.85% (2017: 0.64%) of the issued share capital.

In addition, as at 31 December 2018, the Company held 9,122,268 (2017: 9,122,268) treasury shares, representing 2.67% (2017: 2.67%) of the issued share capital.

Going concern

SOCO regularly monitors its business activities, financial position, cash flows and liquidity. Scenarios and sensitivities are included in the forecasts, including changes in commodity prices and in production levels from the existing assets in Vietnam and the proposed acquisition of Merlon El Fayum Company, plus other factors which could affect the Group's future performance and position.

These forecasts show that the Group will have sufficient financial headroom for the 12 months from the date of approval of the 2018 Accounts. Based on this analysis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to use the going concern basis of accounting in preparing the annual Financial Statements.

Annual dividend and company distributable reserves

SOCO remains committed to paying a dividend. During the year the Company paid a final dividend to shareholders in respect of the financial year ended 31 December 2017 of 5.25 pence per Ordinary Share (2017: 5 pence), at a cost to the company of \$23.3m (2017: \$21.0m).

The directors are recommending a final dividend of 5.5 pence per Ordinary Share, subject to approval at the AGM on 23 May 2019.

The distributable reserves of the parent company of the group amount to \$269.9m (2017: \$157.3m)

Financial outlook

SOCO's financial strength is founded on our long term approach to managing capital.

Capital discipline focuses on controlling and managing costs. Capital investment and divestment decisions are taken to allocate capital where it will provide risk adjusted full cycle returns. It is this approach that has allowed us to return significant amounts of capital to shareholders. We have looked to add another strand to the story – capital growth – to underpin the sustainability of the dividends over the longer term. This year we have made a first significant step towards this with the Merlon El Fayum Company acquisition and we will continue to look for growth opportunities in 2019 and beyond.



Jann Brown
Managing Director and
Chief Financial Officer

Risk Management Report 2018

Effective risk management is integral to SOCO achieving its corporate strategy to further strengthen the business through growth in line with our financial strategy of capital discipline, capital allocation and capital return while protecting our personnel, assets, the communities in which we operate, and our corporate reputation.

The Board is responsible for:

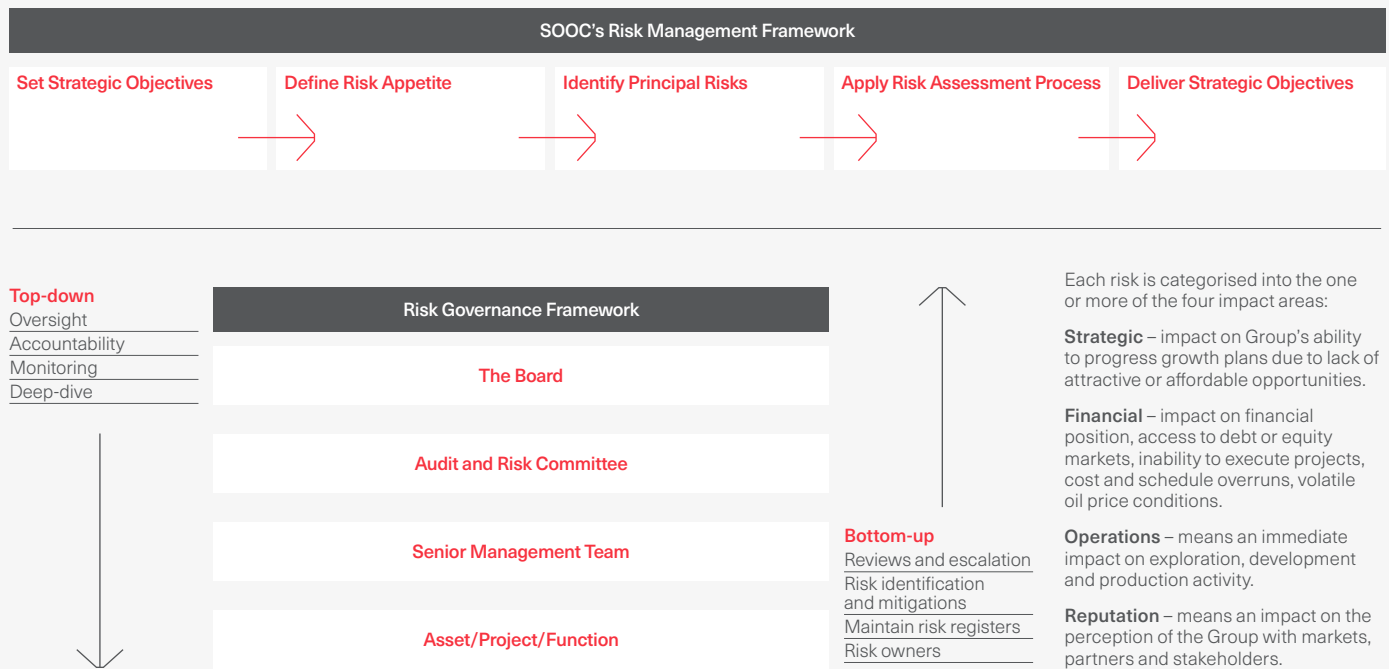
- + Setting business strategy and risk appetite that determine the overall context for the management of risk in the Company
- + Establishing values to articulate expected standards of conduct, behaviour and ways of working
- + Identifying the nature and extent of the principal risks and determining the Company's appetite for each of these risks
- + Monitoring the Company's risk management and internal control systems and annually reviewing their effectiveness

The Board has designated the Managing Director and Chief Financial Officer as the executive responsible for the Company's Risk Management function. She is supported in this task by the Chief Operating Officer, the Group Exploration Manager, the Managing Director and the Group Heads of Finance and Legal.

A bottom up approach to identifying and assessing risks has been adopted by the Company with risk registers developed at asset and functional level. There is an ongoing process to identify, monitor and mitigate risk throughout the year with any new risks or changes to existing risks assessed quarterly and at each Audit and Risk Committee meeting. Annually, the Audit and Risk Committee undertakes a rigorous and detailed risk assessment wherein the Group's risk profile, including the mitigation measures in place to reduce risk to acceptable levels, is considered. This risk assessment is then presented to the Directors for full Board approval.

The Group's Risk Management policies and procedures are further discussed in the Corporate Governance Report on page 68 and in the Audit and Risk Committee Report on page 76, where the significant issues related to the 2018 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 Responsibility Report on page 44.

SOCO's risk management process



The Board has considered the uncertainties which exist around Brexit and has concluded that the potential impact on SOCO is likely to be low, even in the case of a “no deal” Brexit in the near term. Our principal operations are conducted in territories outside the EU, our cash flows are linked to the US Dollar, and we do not rely on large numbers of EU staff members being able to work in the UK. We will continue to monitor the situation as it develops, but for now we have not had reason to include it amongst our principal risks.

The transaction to acquire Merlon El Fayum has not yet completed and we have therefore prepared this report, including the Risk Management Report, without setting out the principal risks and uncertainties relating to the ownership of that business and the underlying assets. A full analysis of the material risks and uncertainties associated with the acquisition and related matters was set out in Part II of (Risk Factors) the Circular dated 5 December 2018 sent to shareholders in connection with the transaction. Following completion of the acquisition we will update our risk reporting accordingly.

Principal Risks and mitigations

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.

Key to change in likelihood ↑ Increase ↔ No Change ↓ Decrease N New Risk

Strategic

N — 1 Lack of acquisitions

Inability to complete further acquisitions in line with growth strategy

Causes

- + Social Issues (relationships)
- + Lack of opportunities (sector downturns)
- + Fluctuating oil prices/economic conditions:
- + Target governance
- + Industry competition (higher for “good” assets)
- + Issues exposed by due diligence including technical risks/uncertainties, disputes
- + Resourcing limitations
- + Political risks
- + Inability to access suitable funding

Risk mitigation

- + Regular review of funding options
- + Proactive dialogue with banks and other lenders
- + Quality and number of advisors
- + Intensify Opportunity Screening
- + Implement focused due diligence processes
- + Build on relationships/industry intelligence
- + Effective project management and resourcing

N — 2 Our proposed transaction to acquire Merlon does not complete

Delay in progress of SOCO growth strategy

Funds allocated to this acquisition will be released to allow further deals

Causes

- + Egyptian regulatory approvals not received in a timely manner

Risk mitigation

- + Clear plan agreed with Egyptian authorities
- + Frequent in country visits by senior personnel to monitor progress and remove roadblocks

↑ — 3 Health, Safety, Environmental and Social Risk

Reputational

Operational outages leading to lower production

Causes

- + Face oil and gas high risk operating conditions and HSES risks
- + Regional risks of economic and social instability
- + Non-alignment of new acquisitions HSES practices with SOCO Corporate standards
- + Adverse weather conditions

Risk mitigation

- + Implement SOCO HSES Management System on all SOCO ventures
- + Promote and facilitate best practice international standards
- + Ongoing personnel training, including running numerous Emergency Response Drills and HSE training sessions
- + Integrate the Egyptian acquisition of Merlon Petroleum El Fayum Company and update and align with SOCO HSES MS
- + Effective Contractor Management system in place
- + Business Interruption (“BI”) insurance in place

↔ — 4 Climate change risk

Reputational

Increased operating costs

Causes

- + Global transition to a lower carbon intensity economy
- + Increased climate regulation
- + Increase in carbon taxes
- + Investors driving business transition to tackle climate change

Risk mitigation

- + Continuous monitoring and application of the most current and evolving information on trends and factors which may impact on current, future projects
- + Evaluate “strategic fit” of climate change decisions on key business operations / directions
- + Transparent reporting and participation in Carbon Disclosure Project (“CDP”)
- + Continuous improvement of GHG emissions management and trigger initiatives to help emissions reduction

Financial

↑ — 5 Commodity price risk

Uncertainty on planning

Inability to fund work programme / dividend

Causes

- + Geo-political factors
- + Supply and demand imbalances
- + Market speculations and trading in futures

Risk mitigation

- + Hedging
- + Close monitoring of business activities, financial position cash flows
- + Stress test scenarios and sensitivities via principal compound risks analysis to ensure a level of robustness to downside price scenarios
- + Capital discipline with focus on controlling and managing costs

↔ — 6 Financial discipline and governance risk

Insufficient funds to finance growth plans and maintain dividends

Causes

- + Restrictions imposed in RBL covenants limit flexibility
- + Equity and/or debt markets no longer investing in oil and gas activities
- + Financial fraud

Risk mitigation

- + Strong financial discipline
- + Robust systems processes and Delegation of Authority
- + Discretionary spend actively managed
- + Continued engagement with lenders

Operational

↓ — 7 Reserves risk

Future cash flows and value depend on producing our reserves

Causes

- + Earlier impairment triggers due to low commodity price and / or capital constraints jeopardise planned exploration / development initiatives
- + Inherent uncertainties in the evaluation techniques to estimate the 2P reserves
- + Increased DD&A costs

Risk mitigation

- + Ongoing evaluation of projects in existing and potential new areas of interest and pursue development opportunities
- + Regular reviews of reserves estimates by independent consultants
- + Ensure continuing adherence to industry best practice regarding technical estimates and judgements
- + Ensuring peer and independent verification of future production profiles and reserve recovery
- + RBL compliance – Vietnam reserves are audited independently by reserves consultants approved by lenders

N — 8 Partner alignment risk

Misalignment at JV/JOC level can delay investment
Adverse impact on production and cash flow

Causes

- + Co-venturers divergent views on drilling and upgrade programme 2019/20
- + FPSO Tie-In Agreement ("TIA") from other Operator

Risk mitigation

- + Active Participation in JOC management
- + Direct secondment
- + Agree on more equitable alignment of interest with Thang Long JOC regarding the FPSO TIA
- + Application of internal control best practice under a procedural framework
- + 2019 TGT work programme agreed in principle and preliminary preparation of bid packages

↑ — 9 Cyber risk

Major cyber security breach may result in loss of key confidential data

Causes

- + Sophistication and frequency of cyber attacks increasing
- + Disruption to critical business systems

Risk mitigation

- + Offsite installation of back-up system and Business Recovery Plan in place
- + Prevention & detection of cyber threats via a programme of effective continuous monitoring
- + Plan for staged integration (new acquisition) and upgrade of IT systems

↔ — 10 Human resource risk

Good skilled people are essential to ensure success

Causes

- + Failure to recruit and retain high calibre personnel to deliver on and implement strategy
- + Challenges in the recruitment and integration of additional technical expertise for the new acquisition

Risk mitigation

- + Remuneration Committee retains independent advisors to test the competitiveness of compensation packages
- + Ongoing succession planning
- + Maintain a competitive remuneration mix regarding bonus, long-term incentive and share option plans

Reputation

↑ — 11 Stakeholder risk

Adverse reaction from current / future stakeholders

Causes

- + Extractive industry image can be easily tarnished with adverse “flash events”
- + Operations in foreign countries / locations where social and environmental matters may be highly sensitive

Risk mitigation

- + Operated joint ventures – SOCO always conforms to international best practice regarding health, safety, environmental and social policies
- + Non-operated ventures – SOCO always seeks to maximize its influence to promote best practice
- + Gathers the views of its stakeholders through direct and indirect engagement
- + Active commitment to Corporate Responsibility reporting
- + Carry out extensive risk screening and due diligence assessments prior to new country entry

↑ — 12 Political and regional risk

Energy sector exposed to a wide range of political developments which may impact adversely on operating costs, compliance and taxation

Causes

- + Operations in challenging regulatory and political environments
- + Fiscal regimes can be subject to sudden change
- + Approval processes can be protracted causing delays
- + No deal Brexit

Risk mitigation

- + Canvass support in risk management by using both international and in-country professional advisors
- + Engage directly with the relevant authorities on a regular basis
- + Thoroughly assess the risks of operating in specific areas and the commercial acceptability
- + Ongoing consideration of taking political risk insurance
- + All our operations are located outside of the EU and USD is the main currency of our business

↔ — 13 Business conduct and bribery

Reputational damage and exposure to criminal charges

Causes

- + Present in countries with below average score on the Transparency International Corruption Index
- + Lack of transparent procurement and investment policies
- + Compliance with Criminal Crime Offences (“CCO”) and UK Bribery Act

Risk mitigation

- + Ensure adequate due diligence prior to on-boarding with a risk based approach, including independent “Red flags” checks
- + Annual training and compliance certifications by all associated persons
- + Increase awareness of SOCO’s anti-bribery and corruption policies for all employees and associated persons
- + Whistleblowing facility in place
- + CCO risk assessment and on-going implementation of adequate procedures to prevent facilitation of tax evasion across all operations
- + Active commitment to the principles of the Extractive Industries Transparency Initiative

Viability statement

In accordance with the UK Corporate Governance code, the Board has assessed the prospects of the company over a period longer than the twelve months required to support the Going Concern Statement on page 100 of the Annual Report of Directors.

In undertaking this assessment the Board has carried out a robust review 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.

Our strategy and associated principal risks underpin both the Group's three year base forecast and scenario testing, plus our longer term prospects and position.

The forecasts and testing has been done on the basis that our acquisition of Merlon El Fayum Company has completed. This is because the cash flows are expected to be more challenged over the three year period given the investment to be made in the acquisition.

Our longer term prospects and position Group's current position

- + Production assets in Vietnam with low cash cost base
- + Oil sales command a premium to Brent pricing; all payments received promptly
- + Strong operating cash flows
- + Focus on capital discipline and avoiding capital commitments in operations
- + Excellent HSES standards

Strategy and business model

- + Strategy focused on acquisition of further cash flow accretive assets to extend sustainability of the business over a longer period
- + Merlon transaction, due to complete in 1H 2019, brings in production, development and exploration assets in low cost onshore environment
- + Business model drawing on geoscience, engineering, financial and commercial talent
- + Access to capital, balanced by a focus on strict management of leverage levels

The principal risks which are relevant to the assessment of the Group's prospects are the same as those used to stress test our viability over the three year period and set out below, with one addition, which is not relevant to the viability period and would only impact over the longer term:

- + Inability to find or acquire additional cash flow generative assets

How we assess our viability

Our forecast is built on an asset by asset basis using a bottom up model and is stress tested by compounding downward scenarios.

The three year period selected for testing covers the Groups medium term capital plans and projections, in particular oil price projections, a fundamental driver of the groups operating cash flows, where market consensus data becomes less reliable for periods further ahead than three years.

Although individual assets are often modelled for periods longer than three years, to reflect the return on investments being considered over the life of field, the three year period has been selected by the Board as most appropriate for the group as a whole. It provides management and the Board with sufficient and realistic visibility of the future industry environment whilst capturing the Groups future expenditure commitments on its licences.

In assessing the Groups 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.

Key assumptions

During the three year period the Group is expected to be dependent on its two cash generating assets in Vietnam and, when the transaction to acquire them completes, the cash generated by the El Fayum asset in Egypt. The transaction to acquire the Egyptian assets is expected to do so in H1 2019 and the contribution from these assets is included in assessing viability. The likelihood of non completion is considered to be low. The impact if the transaction did not complete would be to release the allocated capital to invest in other suitable opportunities, when these could be identified.

The oil and gas reserves in both Vietnam and Egypt have been certified by Reserves Auditors, RISC (for Vietnam) and LR Senergy (for Egypt). The base forecast models include the group's latest life of field production models and expenditure forecasts, in line with the profiles included in the Reserves reports and, where guidance to the market has been given for the near term, in line with that guidance.

In our models we have used management's best estimate of future commodity prices (based on recent forward curves), resulting in a base oil price of \$65 prior to scenario testing. The base price is also adjusted for hedging instruments already in place,

The company has a Reserves Based Lending facility ("RBL") of \$125m over its Vietnam producing assets taken out in September 2018. The loan also has an accordion feature of a further \$125m which can be accessed by including further assets in the borrowing base. It is the intention to include the Merlon assets as soon as practicable after the transaction has completed. This additional financing will provide further liquidity for investment into the company's asset base, including the Egyptian assets, plus funding for further acquisitions

Stress testing linked to Principal risks

As well as the base model, the Board also considers several scenarios and has stress tested the forecast for combination of a number of severe but plausible events that could impact its ability to fund planned activities and/or comply with the covenants and undertakings within its Reserves Based Lending (“RBL”) facility agreement. These events include:

- + A material and sustained reduction in the oil price putting pressure on the Group’s capital available for investment
- + A material reduction in production
- + A material increase on capex
- + An unfavourable event resulting in lost production and increased capital costs
- + A delay in payment for oil sold to EGPC in Egypt

In all combinations tested the Group had access to mitigating actions, including hedging and insurance claims, which allowed us to meet all covenant levels in the RBL. The forecast cash flows are regularly monitored and reviewed to provide early warnings of any issues and to give sufficient time to take any necessary mitigating actions.

In considering the impact of these scenarios, the Directors have reviewed realistic mitigating actions that could be taken to reduce the impact of the underlying risk. These include reducing operating and administration costs, deferring capital expenditure, hedging activities and adjusting the level of dividends.

The potential impact of each of the other principal risks on the viability of the group during the assessment period has also been considered. Such risks include the inability to attract and retain appropriately skilled people and climate change.

The Board has considered the risk mitigation strategy for each of these risks and believes that the mitigation strategies are sufficient to reduce the impact of each risk to make it unlikely to jeopardise the Group’s viability during the three year period.

The Directors have also reviewed the Group’s funding plan considering additional financing to fund growth strategies.

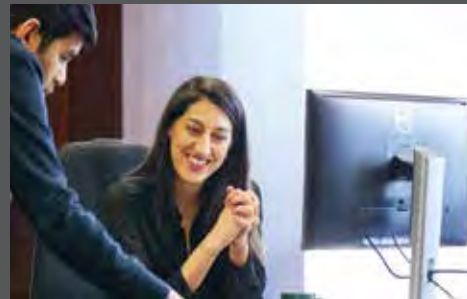
Based on all of these assessments, including the availability of actions which could be taken in the event of plausible negative scenarios occurring, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due for the three year period to 31 December 2021.

Base Forecast flexed for combinations of the following scenarios

Base Forecast flexed for combinations of the following scenarios	Link to Principal risks and uncertainties	Level of severity tested	Conclusion
Severe and sustained drop in oil price	5, 6	10% drop in oil price over period of testing	Company remains viable with mitigating actions
Reduction in production	3, 7, 8	10% reduction in production over period of testing	Company remains viable with mitigating actions
Increase in capex	2, 6	10% increase in capex over period of testing	Company remains viable with mitigating actions
Delay in payments from EGPC	*	Delay of 120 days	Company remains viable with mitigating actions
Unfavourable event leading to lost production and increased capex	3, 7, 8, 11, 12, 13	Combination of four tests above	Company remains viable based on the levels of the tests provided mitigating actions are swiftly and comprehensively implemented

* As explained in the Risk Mangement Report page 36, the risks and uncertainties relating to the ownership of that business have not been included as the transaction has not yet completed. These forecasts and scenarios have been prepared including ownership of the Egyptian assets as the cash flows are more challenged over the three year period.

Adding value
in everything
we do
business
ethics
people
environment
society



Our people – staff in our London office



Local community – HSE day tree planting at Can Gio, Ho Chi Minh City



Antony Maris
Chief Operating Officer

Our goal is to be a positive presence in the regions in which we operate, by providing responsible and sustainable development, resulting in value for host countries and local communities as well as for our own shareholders and employees. We are committed to operating honestly and ethically. We contribute to host country development goals, such as access to energy. Doing business ethically and safely is our priority. We manage our risks and seek to minimise any potential adverse impacts we may have.

Business

100%

CNV oil

71%

TGT oil

Contributing to host country development goals and access to energy

Ethics

\$202.4m

Taxes and royalties paid
to host governments

100%

Percentage of staff receiving
anti-bribery and corruption training

People

0

Fatal accident frequency rate
(number of fatal accidents per
hundred million man-hours)

0

Lost time injury frequency rate
(number of lost time injuries per million
man-hours)

Environment

273

Tonnes CO₂e per 1000 tonnes
of hydrocarbon produced

0

Oil/chemical spills
(quantities greater than 100 litres)

Society

\$300,000

Training levy in Vietnam for investment
in industry capacity building

\$209,408

Community and charitable investments
supporting 12 partnerships and projects
in Vietnam

Corporate Responsibility (“CR”) governance & management

Our goal is to be a positive presence in the regions in which we operate, by providing responsible and sustainable development, resulting in value for host countries and local communities as well as for our own shareholders. Our Code of Business Conduct and Ethics (“our Code”) sets out our expectations for how we do business, clarifying our commitments to ethical, social and environmental performance. Our CR Policies support our Code.

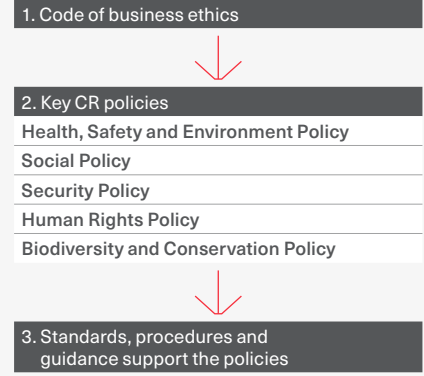
Our Corporate Standards, Procedures and Guidelines support the Policies. Project specific Operational Plans, Programmes and Procedures provide the specifics of how things are done within each project.

The SOCO Health, Safety Environment and Society Management System (“HSES MS”) describes the Group’s internal processes to manage risks and is consistent with the requirements of internationally recognised standards (ISO 14001, OHSAS 18001) and aligned with the World Bank’s International Finance Corporation (“IFC”) Environmental and Social Performance Standards.

The Chief Executive Officer is accountable to the Board for implementation of CR Policies and Health, Safety, Environment and Social (“HSES”) Performance. The Audit and Risk Committee oversees the adequacy and effectiveness of our policies, standards and management system for HSES.

CR Objectives are defined annually and reviewed quarterly in relation to: our business; our ethics; our people; environment and society.

Hierarchy of CR/HSE key policies



See: www.socointernational.com/hses-policies for the full text of the current versions of each of these CR policies.

Stakeholder groups and CR topics

Stakeholder group	How we engage with them and understand any concerns	Key areas of concern for stakeholder groups
Local communities	Environmental and social impact assessments and grievance mechanisms at project level	Community investment Effluents and waste management Biodiversity Transparency
National and host governments	Regular dialogue	Payments to governments Local content Environmental management Health and safety
Employees and contractors	Regular dialogue and grievance mechanisms	Local capacity building Contractor management
Shareholders	Regular dialogue	HSES Management System Preventing corruption Health and safety Climate risk / energy transition
International community	Responding to inquiries and media scanning	Preventing corruption Human rights New country entry Climate risk/energy transition GHG emissions

Stakeholder engagement

In determining our CR strategy, we consider issues that are important to the successful delivery of our corporate objectives and the matters that are important to our stakeholders. Our Communication and Stakeholder Guidance sets out the controls and arrangements for effective, timely and transparent processes. We receive feedback from stakeholders through a range of formal and informal processes. This takes place at a project and at a corporate level.

CR issues in 2018

Through risk management and stakeholder engagement, issues for inclusion in reporting are pulled together.

Our approach on environmental and social reporting in 2018 has taken into account the current guidance issued by IPIECA, the global not-for-profit oil and gas industry association for environmental and social issues, being the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (3rd edition, published September 2015). In 2019 we are reviewing best practice to further guide our reporting. We include data for where we have operational control and also report on the Jointly Operated Companies.

Issues linked to business risk and stakeholder interest in 2018

Important issues in 2018

Business

- + Climate risk
- + Energy transition
- + Business partners and influence
- + New country entry
- + HSE management system
- + Contractor management

Ethics

- + Preventing corruption
- + Payments to host governments
- + Transparency

People

- + Occupational health and safety
- + Major accident prevention
- + Equal opportunities
- + Local capacity building

Environment

- + GHG emissions
- + Effluents and waste
- + Biodiversity

Society

- + Human Rights (and Modern Slavery)
- + Community investment
- + Local content

Our business

Our objective is to provide responsible and sustainable development. In 2018, key issues in this area included those related to: global climate risk and energy transition; business partners and influence; new country entry; our HSES Management System (“HSES MS”) and contractor management.

Climate risk and global energy transition

Climate change is considered a principal risk to SOCO and its business over the medium and long term, and this is discussed in more detail in the Risk Management Report on page 36.

Global energy transition is a factor that impacts many of the Group’s principal risks including those associated with commodity price, reserves, operations, political, stakeholder and reputational. We recognise that a 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. Our overall risk management integrates climate change and carbon related risks. Established management processes include any physical risks associated with climate change.

We report transparently and participate in the Carbon Disclosure Project (“CDP”). Our greenhouse gas emissions are reported in the Environment section on page 55.

Business partners and influence

Relationships with business partners, host governments and local communities where we operate are critical for our business. Our Code sets out our commitment to doing business honestly and ethically and to complying with all applicable laws and regulations. It sets out our expectations to take steps to only do business with others who share our values.

Our ability to influence our business partners depends on our degree of ownership and operatorship. Where we are the designated operator, we fully apply the SOCO HSES MS. Where we are a joint operating partner, we seek to influence and ensure alignment with our systems. Where we have a minority interest, we seek to make our views heard and ensure that minimum standards are met in accordance with our commitment to the IFC Performance Standards.

Vietnam interests and operations

Degree of influence	Block	Country	SOCO ownership	SOCO role	2018 activity	Target HSES outcome
High	Blocks 125&126	Vietnam	70%	Operator	No field activity	Full application of the HSES MS
Moderate	Block 16-1	Vietnam	30.5%	Joint Operating Partner (in Hoang Long Joint Operating Company)	Field Development – drilling and completing production wells. Production of oil and gas	Influence to bring alignment to the SOCO HSES MS
Moderate	Block 9-2	Vietnam	25%	Joint Operating Partner (in Hoan Vu Joint Operating Company)	Production of oil and gas	

Africa interests and operations sold in 2018

Degree of influence	Block	Country	SOCO ownership	SOCO role	2018 activity	Target HSES outcome
High	Lidongo, Viодо, Lideka and Loubana Exploration Permits	Congo (Brazzaville)	40.39%	Operator	No field activity* Divested in June 2018	Full application of HSES MS during ownership
Low	Cabinda North Block	Angola	22%	Non-operator	No field activity* Divested in October 2018	Ensure minimum standards during ownership

New country entry

For SOCO, any new business, investment or venture must identify, analyse, assess, address and monitor environmental, social and governance (“ESG”) related issues and risks (alongside commercial, legal, technical and political constraints).

Our new country entry procedure sets out our process for risk screening and due diligence. The process applies to: new country entry; transactions (acquisitions, divestment); expansion of existing projects; and operated and non-operated Joint Venture farm-ins.

In 2018, a key new business assessment for SOCO was the proposed acquisition of the Merlon Petroleum El Fayum Company (“Merlon”), which holds a 100% participating interest in the onshore El Fayum concession in the Western Desert, Egypt, operated in conjunction with the Egyptian state oil and gas company, EGPC, through the 50/50 joint operating company Petrosilah.

Following a preliminary assessment of Environmental, Social and Human Rights issues, we undertook further due diligence commensurate with risk.

There is an opportunity for expansion of the El Fayum concession in Egypt contributing to the country’s energy requirements and development goals. In considering the opportunity we looked at the range of ESG issues locally.

Potential risks and impacts we reviewed included those related to: biodiversity; road safety; emissions; security and human rights; and anti-bribery and corruption.

Neither Merlon nor the joint operating company Petrosilah had a written comprehensive anti-corruption compliance programme in place on signature of the sale and purchase agreement (“SPA”) by SOCO.

Merlon has, before completion and pursuant to an obligation in the SPA, adopted an anti-corruption compliance programme substantially in the terms of SOCO’s current programme. Merlon has in addition undertaken to use reasonable endeavours to ensure Petrosilah adopts a similar programme.

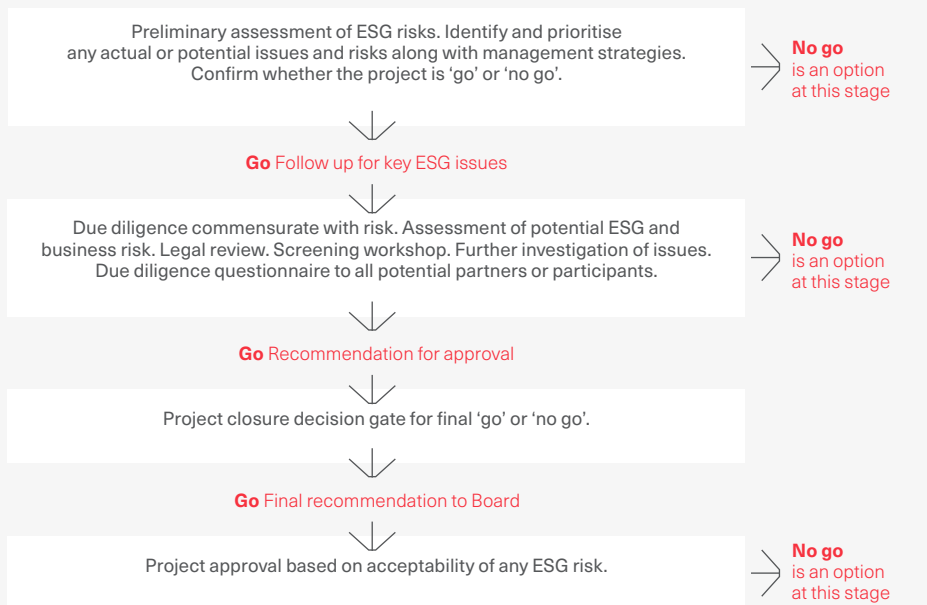
ESG issues identified have been reviewed based on our policies and commitments and the Company’s risk appetite using our Procedure.

Following the planned acquisition we will carry out an audit of SOCO’s New Entry Procedure in 2019.

100%

Potential new investments screened for CR issues using new country procedure in 2018.

New entry procedure Merlon El Fayum Concession



HSE Management System

We undertake a range of activities to continuously improve our HSE MS to ensure that the Company's policy commitments are applied. We may work in countries that have different standards and we review any potential gaps to ensure adherence to our policies in dialogue with our business partners. Routine monitoring is undertaken to assess and improve performance and periodic audits are conducted.

In 2018 we continued with a roll out of HSES training for employees and contractors. Over 275 HSE training sessions took place across the UK, Vietnam and in the Congo throughout the year.

Key Performance Indicators

KPI	Target	2018	2017	2016
HSE regulatory non-compliances	Zero	0	0	0

Contractor management

Contractors are used throughout all aspects of our business. Our Contractor Management Procedure sets out requirements through all stages from selection through to management and service delivery. In HSES critical activities, bridging documents are put in place to ensure SOCO and contractor alignment with our requirements.

In 2018 we undertook further work to update our contractor and supply chain management procedures, building additional requirements into our contracts. We have introduced additional screening and induction steps to ensure that contractors meet our standards. Training is also being rolled out as part of our supplier due diligence programme.

Hours worked	Percentage of total
Company staff: 156,273	12%
Contractors: 1,137,130	88%

100%

New suppliers screened in accordance with updated HSES requirements in 2018.

Overall objective:

To provide responsible and sustainable development

2018 Objectives

- Apply the SOCO HSES MS to any operated projects that arise
- Conduct a programme of HSES training for employees and contractors. Carry out final awareness training session and ensure changes to the SOCO HSES MS are communicated through the organisation
- Assess the HSES Policies relevant to non-operated projects before any activity scheduled
- Complete Corporate HSE audit programme according to the 2018 Audit plan
- Review efficacy of New Entry Procedure
- Update contractor and supply chain management procedures and questionnaires based on lesson learned following roll out
- Continue supplier due diligence programme, including training

2018 Outcomes

- Applied where we were operator. Alignment where joint operator
- Training in Q1 with additional awareness raising sessions through the year
- Applied to Angola, objective was no longer required after divestment
- Postponed to 2019 until completion of newly acquired asset
- Postponed to 2019 until completion of newly acquired asset
- In progress
- On target

2019 Objectives

- + Conduct a continuing programme of HSES training for employees and contractors
- + Conduct a gap analysis of new acquisition against SOCO international HSES MS requirements
- + Complete Corporate HSE audit programme
- + Update contractor and supply chain management procedures and questionnaires
- + Continue supplier due diligence programme, including training
- + Update and streamline New Entry Procedure
- + Undertake due diligence with potential and existing partners

Our ethics

Our objective is to conduct our business in an honest and ethical manner. In 2018, key issues in this area included those related to: preventing corruption and payments to host governments.

Preventing corruption

SOCO currently operates in Vietnam, which is allocated a low score on Transparency International's most recently published Corruption Perception Index ("CPI"), featuring at number 107 out of 180 countries in the 2017 CPI. Egypt, where SOCO expects to operate following completion of the acquisition of Merlon, is ranked at 117 on the same CPI. We recognise that, with both areas of operation having a reputation for a lack of transparency and relatively high risk of corruption, it is vital that the Group's policies, procedures and working practices are fit for purpose. SOCO maintains internal control systems to guide and ensure that our ethical business standards for relationships with others are achieved.

Bribery is prohibited throughout the organisation, both by our employees and by those performing work on our behalf. The Business Conduct Procedure supports the implementation across the organisation. Our Anti-Bribery and Corruption ("ABC") programme is designed to prevent corruption and ensure systems are in place to detect, remediate and learn from any potential violations. This includes due diligence on new vendors, annual training for all personnel, requisite compliance declarations from all associated persons and comprehensive 'whistleblowing' arrangements.

Our Whistleblowing Policy and Procedure ensures that employees are protected from possible reprisals when raising concerns in the public interest. In addition to internal reporting channels, we have a confidential ethics hotline provided by Expolink with numbers displayed in local offices available 24 hours a day all year round. No calls to the Expolink hotline were logged in 2018, and there were no other whistleblowing reports received or logged within the Group during the year. After the reporting year end, in early 2019, a report was received about one member of staff using company assets for personal use. The staff member has since left the organisation.

100%

Employees and relevant contractors undertook anti-bribery and corruption training in 2018.

Payments to host governments

Wealth generated by natural resources plays an important part in the growth and development of countries in which we operate. Revenues to governments become payable by the Group due to oil production entitlements, taxes, royalties, licence fees and infrastructure improvements. SOCO supports the principles of the Extractive Industries Transparency Initiative ("EITI") and participates in EITI active countries.

During 2018, the total payments to governments for the Group amounted to \$202.4m, of which \$196.5m or 97% was related to the Vietnam producing licence areas, of which \$135.1m was for indirect taxes based on production entitlement. The breakdown of the contributions, including payroll taxes and other taxes will be contained within the additional information in the 2018 Annual Report and Accounts page 135.

Our Code prohibits contributions to political parties, candidates or other political organisations.

Overall objective:

To conduct our business in an honest and ethical manner

2018 Objectives

All personnel to complete the annual ABC programme including training, testing and self-declaration statement

Review ABC programme and update as required.

2018 Outcomes

Completed

In progress

2019 Objectives

+ All personnel to complete the annual ABC programme including training, testing and self-declaration statement

+ Continue to review ABC programme and update as required

Our people

Our objective is to ensure the health, safety, security and welfare of our employees and those with whom we work. Our Code commits us to protecting the health and safety of our workforce, to providing a workplace free of discrimination where diversity is valued and to ensure that we consult and engage with our employees. Key issues for us in 2018 included: occupational health and safety; major accident prevention; diversity and local capacity building.

Occupational health and safety

Safety is the highest priority in our business and we are committed to operating safely and responsibly at all times and to providing a safe and healthy working environment for staff and contractors. Following from our Code and HSE Policy, our HSES MS provides the framework for our approach and is implemented at each stage of a project supported by Occupational Health and Safety Guidance and Standard Operating Procedures. While SOCO had no field activity in 2018 in which we were the operator, we continued to work with our partners in Vietnam where the Hoang Long and Hoan Vu Joint Operating Companies ("HLHVJOC") continued to maintain an extremely high level of safety.

We have worked to build and contribute to improvements in the safety culture in Vietnam and we are proud of that record of achievement. HSE training, drills, workshops and inspections are conducted on an annual basis to ensure that the zero target is maintained. We are able to share our practices and lessons learned with others in the industry and are contributing to further capacity building.

Safety indicators

Indicator	2018
Lost Time Injury ("LTI")	0
Fatal Accidents	0
First Aid Cases	3
HSE Near Miss	5
HSE Inspections	808
HSE Audits	1,112
HSE Toolbox Talks	5,797
HSE Meetings	937
Safety Observations (Hazard STOP Cards)	23,734

0

LTIs in 24.19 million man hours since the project inception.

Outstanding safety record Vietnam

KPI	Target	2018		2017		2016	
		SOCO	IOGP**	SOCO	IOGP*	SOCO	IOGP
Lost Time Injury ("LTI") Frequency Rate	Zero	0		0	0.27	0	0.27
Fatal Accident Frequency Rate	Zero	0		0	1.10	0	1.72
Total Recordable Injury Rate***		0.83		-	0.96	-	1.03
Million Man Hours Worked		1.29		1.42		0.98	

* International Association of Oil and Gas Producers ("IOGP") Benchmark

** Not yet available for 2018

*** 2018 is first year of including this indicator in Annual Report.

Major accident prevention

SOCO has emergency response plans in place for all projects. The plans are communicated to the workforce and response personnel receive training to ensure they are competent to carry out their emergency roles. This is supplemented by periodic refresher training. Drills and training exercises are carried out. On CNV we had 62 Emergency Response Drills and 30 HSE training sessions and on TGT we had 63 Emergency Response Drills and 241 HSE training sessions. We ensure asset integrity and control operations in order to effectively manage all significant risk during all stages of the operations.

We had no Tier 1 or Tier 2 Process Safety Events in 2018. The HLJOC had one minor event take place at the TGT-H5-WHP where one fishing boat tied a rope to the jacket. The standby vessel approached the fishing boat and the fishing boat moved on. We maintain and regularly test procedures to ensure incidents are effectively dealt with and ensure any lessons are learned.

Safety indicators

Indicator	2018
Emergency Response Drills	125
Process Safety Events (Tier 1 or Tier 2)	0
Other events	1 (minor event)

Case Study

Vietnam – Anthony Roche, Deputy General Manager, HLHVJOC

Throughout the whole of the HLHVJOC the highest safety standards are maintained.

Safety programmes build and maintain workforce participation encouraging people to be open about any potential risks or hazards and to take action. Safety observation cards are used by all staff and contractors and we have a meeting every morning to go through these. We had over 23,000 Hazard / STOP cards during the year.

We are able to identify higher risks and whether there are any trends. We provide incentives for the best observation cards and/or contractors with excellent HSE performance on a monthly and yearly basis.

We undertake regular toolbox talks, ensure permits to work and all standard systems in place. In 2018 we conducted HSE audits of our main contractors. 1,112 audits and 648 inspections were carried out in the JOC. Every year HLHVJOC organise a contractor safety seminar, where experiences are shared in an open manner to highlight safety awareness.





Local capacity building

We are committed to providing meaningful opportunities for technical cooperation, training and capacity building in host countries.

In Vietnam, as part of the HLHVJOC, we contribute to local capacity building. Out of 110 people, only seven are international staff. In addition, every position that is held by an expatriate staff has a Vietnamese staff member as a deputy, or as the manager. A training levy of \$150,000 for each JOC goes into a fund which is ringfenced to support the development of future talent in Vietnam in the industry. HLHVJOC also invests in staff development and training.

While operating in the Congo (Brazzaville), we invested in training and upskilling of employees and ensuring a workplace which met with international standards.

Equal opportunities

Our Code and Policies commit us to providing a workplace free of discrimination where all employees can fulfil their potential based on merit and ability. We value a diverse workforce.

We currently have a team based in our corporate head office in London of 24 staff. In 2018 we had a team of over 10 based in Congo (Brazzaville) and team of three in Vietnam (three additional people seconded into the HLHVJOC). Our size of direct employees facilitates daily direct interaction and multidisciplinary dialogue amongst personnel and Executive Directors.

Average Number of Corporate Personnel by Gender

		2018	2017	2016
Non-Executive	Male	5	5	7
Directors	Female	0	0	1
Executive	Male	2	2	2
Directors	Female	1	1	1
Senior	Male	2	2	1
Management	Female	2	1	0
Other	Male	6	5	5
Employees	Female	10	8	8

Overall objective:

To ensure the health, safety, security and welfare of our employees and those with whom we work

2018 Objective

Identify and conduct additional HSES training requirements

Activate a project level grievance mechanism for all SOCO-operated projects when activity is scheduled

2018 Outcomes

On target

SOCO had no field activity in 2018 in which we were the operator

2019 Objectives

+ Conduct a continuing programme of HSES training for employees and contractors

Environment

We recognise the potential impacts of our business on the environment. Our Health, Safety and Environment Policy sets out our commitment to conduct all business activities in a responsible manner. In setting our CR priorities, our objective is to protect the environment and conserve biodiversity. In 2018 key issues in this area included those related to: Greenhouse Gas Emissions; Effluents and Waste and Biodiversity.

Greenhouse Gas Emissions (“GHGs”)

GHGs associated with energy use and with flaring are a key area of potential impact.

In 2018, we continued to monitor our emissions and disclose them in accordance with industry requirements and standards and participated in the Carbon Disclosure Project (“CDP”).

GHGs reported

SOCO counts emissions of carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O), all of which are produced during consumption. For simplicity, the results of all three have been reported as a single parameter – carbon dioxide equivalent (CO₂e). 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, joint operated projects and associated corporate/administrative activities on an overall and equity share basis. The former is the total emissions generated by those projects. The latter is calculated pro-rata to SOCO’s ownership and interest (equity share). Verified emissions from 2013, reported in 2014, form the base year against which emission trends over time are reported.

Tonnes (t) of CO₂e equivalent for 2018 Operations

Country	Reported operations	Operational phase	CO ₂ e (t)		CO ₂ e (t) per 1000 tonnes of oil produced by equity share ³	
			Overall ¹	Based on equity share ^{1,2}	Per field	Per country
UK	Office	Administration (office – electricity usage)	20	20	–	–
Congo (Brazzaville) (offshore)	Office	Administration support for exploration	23	8	–	–
Angola (onshore)	Cabinda North Block	Block evaluation / Exploration – no activity in 2018	–	–	–	–
Vietnam	Office	Administration (electricity usage)	1	1.02	–	–
Cuu Long Basin (offshore)	Block 9-2 – Ca Ngu Vang	Production	20,063	5,016	62	273
	(CNV) field	Field development	12,003	3,001	–	
	Block 16-1 – Te Giac Trang (TGT) field	Production	313,907	95,742	332	
		Field development	10,944	3,338	–	
		Total	356,962	107,126	–	–

1 Figures include rounding to the nearest whole number.

2 Under equity share, SOCO reports a share of the emissions from the partnerships pro-rata its ownership interest.

3 Normalised emission is calculated, per field, and at country level, based on equity share, and gross/net boepd produced in 2018 in the CNV and TGT fields.

Methodology

SOCO applies the expectations set by the ISO 14064-1 standards in terms of Relevance, Completeness, Consistency, Transparency and Accuracy which are endorsed by IPIECA and the Greenhouse Gas Protocol Initiative and the Part 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Emission factors for GHG calculations were taken from UK Government GHG Conversion Factors for Company Reporting (BEIS, 2018) and EEMS, 2008, Atmospheric Emissions Calculations; and for the calculation of fuel gas consumed and flared in Vietnam, the emission factors were calculated based on the carbon content of gas analysed at TGT field (TGT, 2014) and CNV field (Vietnam Petroleum Institute, 2016).

CO₂ equivalent is based on the 100-year Global Warming Potential of Carbon Dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) emitted. Factors used are those of the 2007 IPCC Fourth Assessment Report (AR4).

For 2018 we have used the normalised figure to be tonnes of GHG per 1,000 tonnes of oil produced by equity share in order to align with the International Association of Oil and Gas Producers ("IOGP") benchmarks.

Key sources of our emissions are from the gas fuel used to generate power on our offshore production sites and for flaring in Vietnam. The level of CO₂e emissions for 2018 represents a 12.5% increase against the overall emissions reported in 2017 and a 12.5% increase of those attributable to SOCO, based on their equity share. There has been no operational activity in Congo (Brazzaville) this year, emissions in Vietnam have increased in particular due to compressor issues at TGT in Block 16-1.

During 2018, an increase in flaring occurred in Vietnam due to inefficiencies in the gas compressors located on the FPSO on TGT. Tests have identified an increase in low specific gravity gas being produced primarily by a third party well, that access the FPSO through the TIA.

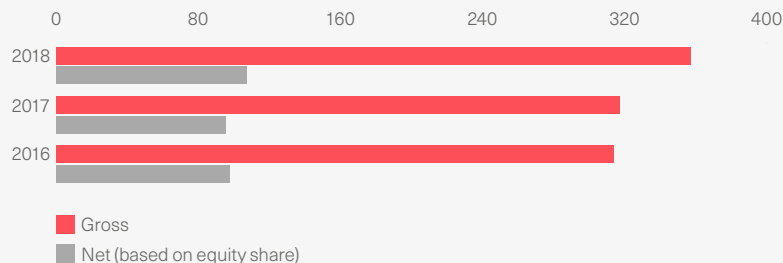
Tests continue and the results are being used to design the most effective solution to both reduce the current flaring to previous levels and to minimise future compressor outages. Engineering studies have commenced to develop a solution and reduce the flaring.

In 2018, 29 tonnes were flared for every 1,000 tonnes of production on a gross basis (not equity share adjusted).

Activity data pertaining to GHG emissions by the HLHVJOC is reported to SOCO. RPS Energy assisted with data collation and GHG emissions calculations. Verification was undertaken by a different division of RPS (RPS Planning and Development) which has maintained appropriate independence from SOCO and RPS Energy during verification using its established approach to conflict of interest management.

Energy use from grid electricity was 100,638 kWh in 2018. SOCO's 2015 Energy Saving Opportunities Scheme ("ESOS") Audit in compliance with the UK ESOS Regulations 2014 remains valid and SOCO has arrangements in place to meet the new 2019 ESOS deadline.

Total CO₂e Emissions generated by SOCO's reported operations in 2018
('000 GHG Emission in CO₂e (t))



Effluents and waste

In 2018 we maintained our record of zero oil and chemical spills throughout our operations.

Water is extracted offshore when we extract oil and gas. In Vietnam, the (produced) water is separated and cleaned and discharged to the sea. In 2018 we had 4,928,679 cubic metres of produced water. In Vietnam, the produced water oil content average over 12 months was 31.45 ppm in Block 16-1 and 31.95 ppm in Block 9-2. We meet or exceed national standards and seek to use our influence to ensure alignment with international standards.

Waste is generated from offshore drilling including cuttings, used oil and other materials. We work to recycle as much non-hazardous waste as possible. We have a third party contract for the disposal of hazardous waste, with a reporting system into the specific Vietnamese authorities for checking, audit, and approval.

Some freshwater is used in operations. In 2018 this amounted to 23,209 cubic metres. It is used to provide potable water supporting operations.

Non-Financial KPIs (HSES)

KPI	Target	2018	2017	2016
Oil spills*	0	0	0	0

* Number of spills for which total volume spilt was greater than 100 litres.

KPI	Target	2018	2017	2016
Solid non-hazardous waste produced (tonnes)	Set per project	102.08	147.95	91.97
Percentage of non-hazardous waste reused or recycled	Set per project	19.52		
Solid hazardous waste (tonnes)	Set per project	95.89	245.81	83.03
Percentage of hazardous waste reused or recycled	Set per project	9.97		

Biodiversity

Our Biodiversity and Conservation Policy commits us to meet the objectives of the Convention on Biological Diversity (1992). We identify whether a project is located in modified, natural or critical habitats, or a legally protected or internationally recognised area; and whether the project may potentially impact on, or be dependent on, ecosystems services over which SOCO has direct management control or significant influence. In Egypt, the El Fayum concession borders the multiple use management area and the natural protectorate area of Lake Qarun which includes important bird areas. It is adjacent to the Wadi El Rayan protected area which includes the Wadi Al-Hitan World Heritage Site. In Vietnam, Blocks 125 & 126 are approximately 50km off shore to the Nha Trang Bay Protected

Area and the Thuy Trieu Marine Protected Area. As per our policy, SOCO does not operate in any UNESCO designated World Heritage Site and ensures that activities in buffer zones around these sites do not jeopardise the Outstanding Universal Value of these sites. Comprehensive Environmental and Social Impact Assessments ("ESIAs") are undertaken for any new project prior to any operational activities using international standards and in consultation with local stakeholders. We are committed to developing site-specific biodiversity action plans ("BAPs") in the event that operational sites are within sensitive areas, incorporating country-specific strategies and action plans and working in association with external advisers to ensure that best practice conservation priorities are achieved.

Overall objective:

To protect the environment and conserve biodiversity

2018 Objectives

Implementation of the Biodiversity and Conservation Policy for all SOCO-operated projects

Implementation of the New Entry Procedure when a new project arises, including an assessment of the risk of impact on the environment

Continue the work to improve GHG emissions management by identifying realistic initiatives and targets for emissions reduction across all operations

2018 Outcomes

On target

On target

Pending

2019 Objectives

+ Implementation of the Biodiversity and Conservation Policy for the permitting of the Vietnam offshore seismic ESIA

+ Review of the Merlon ESIA against SOCO standards ahead of activities

+ Update ESOS Compliance Assessment

+ Continue implementation of the New Entry Procedure when a new project arises, including an assessment of risk of impact on the environment

+ Solving of the TGT compressor issues to reduce TGT emissions to base levels or under

Society

Following from our Code, our Social Policy and our Human Rights Policy set our requirements for social responsibility, community engagement and human rights. In 2018, key issues in this area included: human rights; community investment; and local content.

Human rights

SOCO's Human Rights Policy was adopted by the Board in September 2018, and a copy is available on the Company's website at <https://www.socointernational.com/hses-policies/>. The Policy commits SOCO to conducting its business in accordance with the fundamental principles of human rights set out in the Universal Declaration of Human Rights, and reflects the terms of both the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Together with our Security Policy, it sets out our commitments to align with the Voluntary Principles on Security and Human Rights. We respect indigenous rights and cultures of the communities where we operate.

Our human rights due diligence includes processes to address, monitor and communicate actual or potential impacts. In 2018, we undertook a Human Rights Review and developed an Action Plan for future operations in Vietnam Blocks 125 & 126 to aid in identification, prevention, and mitigation of actual and potential impacts that could result from SOCO's operations. The review acknowledged the provision of safe and healthy working facilities for all workers, the requirement to engage with stakeholders to understand any local concerns as well as security practices and to put in place any mitigation strategies. Community Feedback Mechanisms are required in all our projects. We take steps to ensure our agents, contractors and suppliers are aware of and comply with our policies and seek to use our influence with Joint Venture partners.

In accordance with the UK Modern Slavery Act, SOCO reports annually on the steps it has taken to mitigate the risk of modern slavery occurring in any part of its business. SOCO's Statement on Modern Slavery for 2019 is available on the Company's website at <https://www.socointernational.com/modern-slavery-statement>

100%

New suppliers screened in accordance with updated HSES requirements in 2018.

Community and social investment

We understand that our success is reliant upon building strong relationships and being welcomed as a responsible partner in our host communities. We invest in social projects for the long term benefit.

In 2018, our social investment in Vietnam was through the HLHVJOC Charitable Donation programme which we contribute into as set out in our licence terms.

Local content

We support local capacity building during the exploration or development phases of a project to ensure a positive imprint and legacy. All 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. Our policy commits us to provide meaningful opportunities for technical co-operation, training and capacity building within any host country in which we operate.

Community projects 2018

	Community projects 2018	Budget US\$
Education	Da Bac District Kindergarten, Saigon Children's Charity; School for Hearing Impaired; support for autistic children; scholarships for poor children and the HCM Polytechnic University; Na Kieng Village Kindergarten	84,171
Health care	Medical Clinic in Nghe An	99,714
Rural livelihoods	Cho Lach District Road enhancement; matching fund for staff donations for Lai Chau Province	21,106
Other charitable projects	Including Nursing Home and Orphanage	4,416



Case Study
Education Support for Hearing Impaired Children

Founded and managed by the Hanoi Red Cross, the Hanoi Private School for hearing-impaired children provides education for 93 students with hearing impairments and autism from low income families in Hanoi. This builds on work supported in 2017 which provided upgrades to school infrastructure as well as teacher training and capacity building.



Case Study
Medical Clinic in Nghe An Province

In 2018 the HLHVJOC supported the construction of a medical clinic in Nghe An Province of Vietnam. Located in an impoverished part of the Thanh Chuong District, this clinic will improve the diagnosis and treatment of diseases. The area is a mountainous part of the country relying mostly on agriculture and forestry with a large proportion of the population below national poverty and healthcare standards. The HLHVJOC has invested \$99,714 for the construction with staffing to be provided by local and national agencies. This builds on previous work and partnerships in Nghe An.

Overall objective:
 To consult with and contribute into our host communities

2018 Objectives

Review outcome of internal audit of the implementation of the Communications and Stakeholder Engagement Guidance and implement actions as required

Carry out human rights due diligence exercise for countries where we have a continued presence

Develop an action plan to manage human rights risk during activities related to Blocks 125 & 126

Implement Modern Slavery Prevention Programme. Conduct process training, raise awareness and implement contractor/vendor requalification due diligence

Honour previously agreed financial commitments and continue social investment in local communities according to the project specific selection processes

2018 Outcomes

Objective was set in relation to Congo Asset which is now divested

On target

On target

In progress

On target

2019 Objectives

+ Carry out human rights due diligence exercise for countries where we have a continued presence

+ Honour previously agreed financial commitments and continue social investment in local communities according to the project specific selection processes

+ Implement a Human Rights Action Plan prior to seismic survey

+ Continue to implement Modern Slavery Prevention Programme. Conduct process training, raise awareness and implement contractor/ vendor requalification due diligence

Corporate Responsibility

Non-Financial Indicators

	2018	2017	2016
Hours worked (million)	1.29	1.42	0.98
Lost Time Injury Frequency Rate (number of lost time injuries per million man-hours)	0	0	0
Fatal Accident Frequency Rate (number of fatal accidents per hundred million man-hours)	0	0	0
Total Recordable Injury Rate (number of recordable injuries per million hours worked)	0.83		
Total GHG emissions (tCO ₂ e) by equity	107,126	95,253	97,543
Scope 1 total GHG emissions (tCO ₂ e) by equity	107,103	95,232	97,523
Scope 2 total GHG emissions (tCO ₂ e) by equity	23	21	20
Scope 3 total GHG emissions (tCO ₂ e) by equity	Not measured		
Normalised emissions by production (tonnes of CO ₂ e per 1000 tonnes of oil produced by equity share)	273	216.2	177.9
Total hydrocarbons flared (Tonnes of hydrocarbons flared for every 1,000 tonnes of production on a gross basis)	29		
Energy use (grid electricity kWh)	100,638		
Non-hazardous waste (tonnes)	102.08	147.95	91.97
Hazardous waste (tonnes)	95.89	245.81	83.03
Percentage non-hazardous waste recycled	19.52		
Percentage hazardous waste recycled	9.97		
Oil and chemical spills (>100 litres)	0	0	0
Oil in produced water content (Blocks 16-1/9-2)	31.45 / 31.95		
Freshwater use (cubic metres)	23,209		
HSE regulatory non-compliance	0	0	0
Community investment spend (\$)	209,408		

Approval of the Strategic Report

This report was approved by the Board of Directors on 5 March 2019 and is signed on its behalf by



Jann Brown
Managing Director and
Chief Financial Officer

Governance Report

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61 / Governance Report

During the year, the Board has made significant progress in implementing the strategy to reposition the Company, including a number of important developments on governance

Board members

Rui de Sousa
Non-Executive Chair
Nominations Committee Chair

Ed Story
President and Chief Executive Officer
Nominations Committee Member

Jann Brown
Managing Director and Chief Financial Officer

Dr Mike Watts
Managing Director

Rob Gray*
Deputy Chair, Non-executive director and Senior independent director
Audit and Risk Committee member
Remuneration Committee member
Nominations Committee member

John Martin*
Independent non-executive director
Audit and Risk Committee Chair
Remuneration Committee member
Nominations Committee member

Ettore Contini*
Non-executive director

António Monteiro*
Non-executive director
Remuneration Committee Chair
Audit and Risk Committee member
Nominations Committee member

Marianne Daryabegui*
(from 15 March 2019)
Non-executive director
Audit and Risk Committee member
Remuneration Committee member
Nominations Committee member

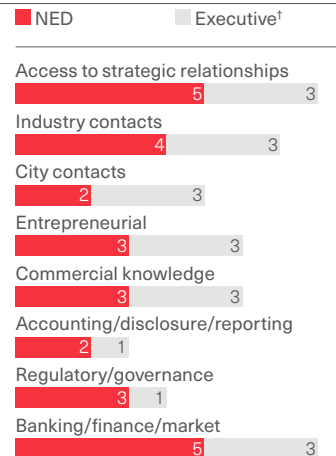
* Independent non-executive directors

† The annual assessment of diversity doesn't include the Executives

Diversity of skills, backgrounds and experience

The Board places importance on the diversity of approach, experience, knowledge, skills, and professional, educational and cultural backgrounds. This diversity has brought an international and global outlook which has been particularly beneficial to the Board's discussions about the strategic positioning of its current and new business ventures.

At at 5 March 2019, the SOCO had a Board of eight Directors.





Dear shareholders

2018 was a year of strategic progress for SOCO, as the Board set out and implemented the initial stages of delivering diversification of the asset base and transformational growth. The year began with the Board reviewing the potential of a possible corporate transaction with Kuwait Energy Public Limited Company. SOCO terminated discussions with the counterparty in March 2018, having been unable to reach agreement with the board of directors of Kuwait Energy Public Limited Company on the basis for an acceptable transaction.

By the end of the year, the Group had closed a \$125m Reserve Based Lending Facility (“RBL”) secured against the Group’s production assets in Vietnam, together with potential access to a further \$125m on an uncommitted “accordion” basis, and received overwhelming approval from shareholders (over 97% on each resolution) to acquire Merlon Petroleum El Fayum Company (“Merlon”), a private oil and gas company with an interest in the onshore El Fayum concession in Egypt.

During the year, the Board’s discussions revolved around strategic positioning, portfolio rationalisation, M&A and corporate financing. The Board received regular updates from the Executive team and time was dedicated to in-depth discussion involving all Directors. This led to a further seven Board meetings being convened in addition to the four regularly scheduled meetings.

In pursuit of the best interests of shareholders, the non-executive directors

(“NEDs”) brought constructive and supportive inquiry in our challenge of the Executive’s proposals and direction. Key areas of focus for the NED’s discussions in 2018 were risk profiling and management, change and integration management, Board and corporate culture, remuneration, Board balance and succession planning.

The appointment of John Martin to the Board in June 2018 increased the independent representation. John brought to the Board an extensive knowledge of international banking in the oil and gas industry at a crucial time for the Group as it pursued and successfully secured the RBL through a consortium of banks. John was also appointed as Chair of the Audit and Risk Committee and a member of the Nominations and Remuneration Committees. His experience and independent appreciation of non-financial stakeholder priorities, risk management and global positioning have already impacted the Board’s thinking.

Meeting attendance

During each Director’s respective term of office during 2018

						+	+
Director	Board meeting (scheduled quarterly)	Board meeting (additional)	Audit and Risk Committee meeting	Remuneration Committee meeting	Nominations Committee meeting	Annual General meeting	
Rui de Sousa	++++	+++++			+++	+	
Ed Story	++++	+++++			+++	+	
Jann Brown	++++	+++++				+	
Dr Mike Watts	++++	+++++				+	
Rob Gray	++++	+++++	+++++	+++++	+++	+	
Olivier Barbaroux (retired 7 June 2018)	+	++++				+	
Ettore Contini	++++	+++++				+	
António Monteiro	++++	+++++	+++++	+++++	+++	+	
John Martin (appointed 7 June 2018)	+++	+++	++	++	++		

During the year, the high costs of M&A activity required additional unscheduled Board meetings. If any Director was unable to attend, full comments on papers were received from that Director in advance of the meeting.

Key areas of focus in 2018

The Board focused on the following areas in 2018:

Overseeing steps to mitigate risks arising from events in Vietnam

Overseeing evaluations and acquisition of Merlon

Overseeing further measures to protect the Company's balance sheet and cash position

Overseeing steps to protect the Company's rights, including international arbitration proceedings

Overseeing appointments to key executive positions and management of change in those positions

Conducting risk reviews

Conducting performance evaluations

Objectives for 2019

The Board's focus areas for 2019 include:

- + Continuing focus on enhancing the efficiency of the balance sheet and investing for growth
- + Continuing to assess all options available to maintain production levels in Vietnam
- + Ongoing implementation of Group strategy
- + Reviewing growth opportunities
- + Assessing on-going composition of the Board
- + Overseeing operational, financial and exploration project performance
- + Integration of Merlon
- + Ongoing review of risk

Safety has remained a top priority for the Group. We are pleased that SOCO has achieved another year with no LTI. We intend to ensure this excellent track record is sustained by staying current with international performance standards.

In July 2018 the UK Financial Reporting Council ("FRC") published a revised and updated version of the UK Corporate Governance Code, to have effect for reporting years commencing on or after 1 January 2019 (the "2018 Code"). Although we are reporting against the previous version of the UK Corporate Governance Code published in April 2016 (the "2016 Code") in this annual report, we have undertaken a variety of measures in terms of developing governance in response to the new provisions of the 2018 Code in preparation for the application of the 2018 Code for the current and future financial years. We have also continued to consult with, and take account of, the views of our investors and other stakeholders on governance throughout the reporting year.

Through these initiatives, key developments on governance in 2018 included:

- + Preparation for further Board refreshment and increased independence, including the initiation of succession planning for a suitably qualified, experienced and independent candidate to succeed me as Chair.
- + Board review extended to include senior management remuneration and succession planning.
- + Increased time set aside for the independent NEDs to meet without the Executives and Chair present.
- + A re-launch of the Group's system of risk management including the redefining of internal policy and procedures.
- + Increased emphasis in Board discussions on section 172 of the UK Companies Act 2006 (setting out the statutory duty of directors to promote the business of the company for the benefit of members as a whole).

+ Enhanced focus on shareholder and stakeholder engagement, including;

- The appointment of a full-time dedicated Group Investor Relations Manager role in early 2018, for the first time in the Group's history.
- Active engagement with the UK workforce, including regular "Lunch and Learn" sessions and responsibility for workforce representation assigned to an independent NED.
- A section of the agenda for each regularly scheduled meeting of the Board being dedicated to investor and stakeholder considerations.

Management

Principal Committees of the Board Committees

Board of Directors



Management Committees

Further support the Board and comprise the following key committees:

- + Disclosure
- + Treasury
- + Defence

Executive leadership team

Responsible for day-to-day management of our business and operations and for monitoring detailed performance of all aspects of our business.

Audit and Risk Committee

J Martin (Chair) (from 7 June 2018)
R Gray
A Monteiro

+ Responsible for the integrity of the financial statements and narrative reporting, including annual and half year reports.



Remuneration Committee

A Monteiro (Chair)
R Gray
J Martin (from 7 June 2018)

+ Responsible for the design, development and implementation of the Company's remuneration policy.



Nominations Committee

Rui de Sousa (Chair)
E Story
R Gray
A Monteiro
J Martin (from 7 June 2018)

+ Ensures the leadership needs of the Company are sufficiently appropriate to ensure continued ability to compete effectively in the marketplace.



We will continue building on these developments in 2019 with the objective of full compliance with the new 2018 Code by the end of the current financial year. Our priorities will be on further increasing independence on the Board, expanding stakeholder engagement and establishing our risk management processes as we focus on the completion of the Merlon transaction, the integration of the Egyptian business and the pursuit of further value accretive growth.

Rui de Sousa
Chair



Rui de Sousa

Non-Executive Chair

Appointed: July 1999



Rui has approximately 40 years' experience in the energy sector. He was formerly a director of Gazprombank-Invest (Lebanon) SAL, the Chairman of Carbon Resource Management Ltd. and the President of Qumatic Mining. Rui is currently a Director of Qumatic Limited, Midus Global Limited and Chairman of Blackdown Resources.



Ed Story

President and Chief Executive Officer

Appointed: April 1997



Ed was a founding Director of SOCO International plc. Under his leadership, SOCO acquired its principal assets in Vietnam and progressed the assets from initial exploration through to being one of the largest producing fields in Vietnam.

Ed has over 50 years' experience in the oil and gas industry, beginning with various roles at Exxon Corporation, including seven years resident in the Far East. He was formerly the Vice President and CFO 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 Australian-controlled entity, Command Petroleum, into Cairn Energy. Ed was a Non-Executive Director of Cairn Energy plc until 2008 and Cairn India Limited until 2017. Ed is currently a Non-Executive Director of Vedanta Resources plc and a founder and member of the Cleveland Clinic International Leadership Board.



Jann Brown

Managing Director and Chief Financial Officer

Appointed: November 2017

Jann served as co-head of SOCO's Business Development group between February 2017 and November 2017 before her appointment to the board. Jann currently serves as an Independent Non-executive Director and Chair of the Audit Committee of Wood., of Troy Income and Growth Trust plc and of Scottish Ballet.

She was formerly the Managing Director, Chief Financial Officer and Executive Director of Cairn Energy plc where she had responsibility for project managing Cairn India Limited's initial public offering, and previously served as the Joint Chief Executive Officer and Chief Financial Officer at Magna Energy Limited, of which she was also co-founder. Jann is a past president of the Institute of Chartered Accountants of Scotland.



Dr Mike Watts

Managing Director

Appointed: November 2017

Mike served as co-head of SOCO's Business Development group between February 2017 and November 2017, and as an independent Non-Executive Director of the SOCO Board between August 2009 and January 2017. Mike has over 35 years of experience in the oil and gas industry. He was formerly the Deputy Chief Executive of Cairn Energy plc and the Chief Executive Officer and Managing Director of the Amsterdam listed Holland Sea Search Holding NV. Mike has held senior technical and management roles with Premier Oil, Burmah and Shell and as Joint Chief Executive Officer and co-founder of Magna Energy Limited.

Experienced leaders guiding our future



Rob Gray

Deputy Chair, Non-Executive Director and Senior Independent Director

Appointed: December 2013



Rob has been an adviser 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 13 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 was a co-founder of RegEnergys, a natural resources investment entity and is currently the principal of ReVysion LLP. In 2018 Rob was appointed an adviser to the T2 Energy Transition Fund of Tikehau Capital.



John Martin

Non-Executive Director

Appointed: June 2018



John has more than 30 years' experience in international banking in the oil and gas industry and was a Senior Managing Director in the Oil and Gas team at Standard Chartered Bank. Prior to joining Standard Chartered in 2007, John worked for ABN Amro for 26 years, specialising in the energy sector. John has served as the Senior Vice President of the World Petroleum Council, and as an Independent Non-Executive Director of Rockhopper Exploration plc. He was previously Chairman of Falkland Oil and Gas Limited, an Independent Non-Executive Director on the board of Bowleven plc and, an Independent Non-Executive Director and Chair of the Audit Committee of Total E&P UK Limited.



Marianne Daryabegui

Non-Executive Director

Appointed: 15 March 2019



Marianne is currently a Managing Director at Natixis, and was previously the Head of Natural Resources at BNP Paribas in Paris, France. She has extensive experience in oil and gas corporate transactions and capital markets and has advised oil majors, independent E&Ps and national oil companies. Prior to leading the Oil and Gas Corporate Finance Team in 2006, Marianne worked for eight years in BNP Paribas' Energy Commodities Export Project Department where she headed the Commodity Structure Finance team for the Middle East and Africa. Before joining the banking sector Marianne spent eight years at TOTAL. Marianne has a Master's degree in Finance and Capital Markets from Sciences Po University, Paris and a Masters in Tax and Corporate Law.



Ambassador António Monteiro

Non-Executive Director

Appointed: June 2009



António has more than 45 years of experience in diplomatic service with the Portuguese Ministry of Foreign Affairs. He served twice as Portuguese Ambassador to France and as Permanent Representative of Portugal to the UN. He was UN High Representative for Elections in Côte d'Ivoire and member of the UN Secretary General Panel for the referendum in Sudan. Antonio was Chairman of the Portuguese Bank Millennium BCP and a non executive member of the Board of the Angolan Bank BPA and of the Spanish Bank Sabadell. He is currently President of the Millennium BCP Foundation and a Member of the Millennium BCP's Strategic Council.



Ettore Contini

Non-Executive Director

Appointed: December 2001

Ettore was formerly a Director of Energia E Servizio SpA and Eurowatt-Commerce. He was previously an asset manager in the private banking division of Banca del Gottardo.

Committee position key

- Committee Chair
- Committee member

A Audit and Risk

R Remuneration

N Nominations

2016 UK Corporate Governance Code (The '2016 Code')

Statement of compliance with the 2016 Code

As stated in the Chair's introduction above, the Company is reporting compliance in this document against the 2016 Code. In respect of the annual report for the next financial year, ended 31 December 2019, the Company will report compliance against the 2018 Code. A summary of certain key differences between the 2016 Code and the 2018 Code are set out at the end of this Corporate Governance Report, together with an indication of any action taken or to be taken by the Board to address those changes.

Throughout the year ended 31 December 2018, the Board considers that the Company has complied with the provisions set out in the 2016 Code as described in this report. This is with the exception of the composition of the Nominations Committee where Rule B.2.1 of the 2016 Code provides that a majority of the members of this Committee should be Independent NEDs, for the period from 1 January 2018 to 6 June 2018. During that time, Independent NEDs comprised 50% of the Nominations Committee, or two Directors from four. Only one Nominations Committee meeting was convened during that period, to consider the appointment of John Martin to the Board and to discuss Board refreshment and independence in light of the forthcoming 2018 Code. On 7 June 2018 John Martin was appointed as a Director and, in addition, as a member of the Nominations Committee. From that date until the end of 2018 the Nominations Committee was majority independent and accordingly compliant with the 2016 Code. This position will be maintained and reinforced with Marianne Daryabegui, an Independent NED, joining the Board and serving as a member of the Remuneration Committee, Nominations Committee and the Audit and Risk Committee with effect from 15 March 2019.

Division of responsibilities

Roles

The statutory duty of the Directors is to act in what they consider to be in the best interests of the Company and, as a unitary Board, they are responsible for the long term success of the Company.

The Board determines and develops the strategy for the business and provides it with the necessary entrepreneurial leadership. It ensures the Company is adequately resourced to meet its strategic objectives and can meet its obligations to its stakeholders. The Board sets the values, standards and controls necessary for risk to be effectively assessed and managed. Some of its responsibilities have been delegated to the Audit and Risk, Remuneration and Nominations Committees.

The roles of the Chair and Chief Executive Officer are separated and their responsibilities are clearly established, set out in writing and agreed by the Board. Both are collectively responsible for the leadership of the Company. The Chair chairs the Board meetings, leads the NEDs in the constructive challenge of the Executives' strategy and is accountable for the Board's effectiveness. This includes encouraging an open and frank Boardroom culture, setting the Board's agenda, facilitating the NEDs' contribution and ensuring sufficient time and information to promote effective and challenging discussions.

The CEO is responsible for the everyday management of the Company. He leads the Executives and management team in the implementation of the Board's strategy and management's performance in running the business.

The NEDs have a supervisory role that contributes to the development of the strategy through supportive and challenging inquiry. They scrutinise the Executives' performance in meeting their agreed goals and objectives, and play a key role in their appointment or removal.

The Company Secretary is appointed by the Board. He facilitates the communications and processes of the Board, the induction programme for new Directors and provides advice through the Chair as may be required in the ongoing discharge of the Directors' duties. This includes 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.

Matters reserved for the Board

The Board operates within a framework that distinguishes the types of decisions to be taken by the Board, including determination of strategy, setting the principal operating policies and standards of conduct, approval of overall financial budgets and financing agreements, approval for establishing key corporate relationships and 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 Executives and management, there is a formal schedule of matters specifically reserved to for the Board's decision or determination.

Committees

There are three principal Committees of the Board, on which all current independent NEDs sit:

- + The Audit and Risk Committee – responsible for the integrity of the Financial Statements and narrative reporting, including annual and half year reports.
- + The Remuneration Committee – responsible for the design, development and implementation of the Company's remuneration policy.
- + The Nominations Committee – ensures the leadership needs of the Company are sufficiently appropriate to ensure continued ability to compete effectively in the marketplace.

Each principal Board Committee has a formal terms of reference ("TOR"), which sets out the Committee's delegated role and authority and is approved by the Board. A full and comprehensive review of the TORs for each Committee was carried out in early 2018. The revised TOR are available on the Company's website (www.socointernational.com/corporate-governance).

Attendance

The Board has four scheduled meetings a year. At each scheduled meeting in 2018, the Directors received a report from each of the three principal Board Committees, the Chief Executive Officer, Chief Financial Officer, the joint Managing Directors, the Chief Operating Officer and Group Investor Relations Manager. Discussions

around M&A activity, asset disposals and strategic corporate finance were regular agenda items throughout the year.

Due to M&A and corporate financing discussions throughout the year, additional full Board meetings, seven in all, were convened in 2018. Accordingly, there were a total of 11 Board meetings during the year. On the occasions that a Director was unable to attend one of these meetings, they received a full briefing in advance and were able to have their view represented to the meeting.

Only Committee members are entitled to attend their respective meetings. Other Directors were invited to attend, as determined appropriate or beneficial and committee chairs provide an update at the full Board meeting. There was full attendance of committee members at the Audit and Risk, Remuneration and Nominations Committees in 2018.

See page 63 for a full overview of meeting attendance by each Director.

Board composition

The Nominations Committee ensures the leadership needs of the Company are met and maintained appropriately to allow it to compete effectively in the marketplace. The Directors' roles, including those of the principal Board committees, are established in writing and approved by the Board. Biographical details are provided on pages 66 to 67.

Throughout the year, the board comprised eight Directors including the Chair, made up of three Executives and five NEDs. Until the 2018 AGM held on 7 June 2018, the Board comprised two independent NEDs, Rob Gray and António Monteiro, and immediately following the 2018 AGM, a third independent NED, John Martin, was appointed.

Simultaneously with John's appointment as a Director, Olivier Barbaroux retired from the Board, having not presented himself to shareholders for re-election. This maintained the total number of Directors at eight. Since his appointment, John has served as a member of the Nominations Committee and the Remuneration Committee, and as the Chair of the Audit and Risk Committee. Rob Gray, Deputy chair and Senior Independent Director, stood down as chair of the Audit and Risk

Changes during the year

	2018	2017
The Board		
Members	8	8
Execs	3	3
NEDs	5	5
Independent NEDs	Rob Gray John Martin (from 7 June 2018) António Monteiro (until June 2018)	Rob Gray António Monteiro
Appointed	John Martin (7 June 2018)	Jann Brown (12 November 2017) Dr. Mike Watts (as Executive, 12 November 2017)
Retired	Olivier Barbaroux (7 June 2018)	Dr. Mike Watts (as NED, 31 January 2017) Cynthia Cagle (12 November 2017) Roger Cagle (12 November 2017)
Audit and Risk Committee		
Members	2 (1 January to 7 June 2018) 3 (7 June to December 2018)	3 (1 January to 31 January 2017) 2 (1 February to 31 December 2017)
Appointed	John Martin (7 June 2018)	–
Retired	–	Dr. Mike Watts (as NED, 31 January 2017)
Remuneration Committee		
Members	2 (January to 7 June 2018) 3 (7 June to 31 December 2018)	3 (1 January to 31 January 2017) 2 (1 February to 31 December 2017)
Appointed	John Martin (7 June 2018)	–
Retired	–	Dr. Mike Watts (as NED, 31 January 2018)
Nominations Committee		
Members	4 (1 January to 7 June 2018) 5 (7 June to 31 December 2018)	4
Appointed	John Martin (7 June 2018)	Rob Gray (October)
Retired	–	Dr. Mike Watts (31 January 2017)

Committee but continues to serve as a member of that Committee. Rob will also replace António Monteiro as the Chair of the Remuneration Committee from the date of the 2019 AGM, following Antonio's resignation. Rob's appointment as Chair is compliant with the new provision of the 2018 Code requiring chairs of remuneration committees to have served for at least 12 months on a remuneration committee before appointment.

Tony Hunter was Company Secretary throughout the year and his appointment was approved by the Board as a whole.

As announced on 19 February 2019, Marianne Daryabegui has been appointed as an Independent NED with effect from 15 March 2019. Marianne will serve as a member of the Remuneration Committee, Nominations Committee and the Audit and Risk Committee.

António Monteiro will retire from the Board of SOCO at the conclusion of the 2019 AGM, following ten years of service and nine years since his initial election by shareholders at the 2010 AGM. António was considered by the Board to be independent throughout 2018, taking into account all relevant circumstances and the application of the 2016 Code. António has been a valued member of the Board and highly-regarded colleague since his appointment, and his fellow Directors wish him all the very best in his retirement.

More information on Board composition, including independence, balance, diversity, succession planning and evaluation is provided in the Nominations Committee report on pages 72 to 75.

Audit, risk and internal control

The Audit and Risk Committee has responsibility for the integrity of the Financial Statements and narrative reporting, including annual and half year reports. The Committee also oversees the adequacy and effectiveness of the internal financial controls and internal controls and risk management systems, and relationship with the external auditor. The Company's risk profile is assessed and updated at least annually by the Committee. At each scheduled meeting of the Committee, it considers the Group's internal control framework and receives an environmental, social and governance report ("ESG Report"). During 2018, ESG Reports submitted to the Committee included updates on policies and procedures, climate change reporting and a quarterly health, safety, environment and social performance report.

More information, including the Committee's composition and activities during the year, is provided in the Audit and Risk Committee report on pages 76 to 81. As stated above, the TORs of the Audit and Risk Committee were reviewed and updated in early 2018, and the revised TORs are available on the Company's website at www.socointernational.com/corporate-governance.

Remuneration

The Remuneration Committee is responsible for the design, development and implementation of the Company's remuneration policy.

In determining the remuneration packages awarded to management, the Board and the Remuneration Committee have continued to aim at providing incentive schemes that reflect the characteristics of attractive rewards, fairness and restraint.

Our overarching aim is to operate a remuneration policy which rewards senior management 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.

SOCO's remuneration policy was presented to shareholders for approval at the Company's AGM held in 2017 and was passed by a majority, with 99.15% votes cast in favour. Further details of how the policy was applied during 2018 are provided in the Directors' Remuneration Report.

In line with normal practice and regulatory requirements, it is intended that the remuneration policy will next be put to shareholders for approval at the 2020 AGM.

More information, including the Committee's composition and activities during the year, is provided in the Directors' Remuneration Report on pages 82 to 96. As stated above, the TORs of the Remuneration Committee were reviewed and updated in early 2018, and the revised TORs are available on the Company's website at www.socointernational.com/corporate-governance.

Relations with stakeholders Investors

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 an appropriate level of contact with major shareholders and ensuring that their views are communicated to the Board. The Managing Director and Chief Financial Officer has management responsibility for investor relations.

To maintain a clear understanding of the views of shareholders, all Directors receive a quarterly investors relations report which includes market updates, brokerage and communications reports, share register and share performance analysis and comments and notes from research analysts and proxy agencies. During 2018, this included feedback on results, the annual dividend recommended to the 2018 AGM, the proposed acquisition of Merlon Petroleum El Fayum Company, including the proposed issue of new shares in partial consideration for the acquisition, shareholder voting and feedback from non-financial stakeholders.

SOCO had an open and active dialogue with its institutional, private and retail shareholders throughout the year. In early 2018, and for the first time in SOCO's history, a dedicated and full-time Group Investor Relations Manager was appointed, increasing the focus on shareholder engagement. Management met with investors on more than 50 occasions during the year, including meetings with institutional shareholders after each results announcement.

Many of the Company's retail shareholders engaged with management throughout the year and attended the AGM in June and the general meeting in December 2018 to vote upon the proposed acquisition of Merlon Petroleum El Fayum Company.

The Company uses its online presence to post and disseminate key information promptly to a wide audience. The Company's website is regularly used by shareholders and stakeholders for email communication with management. During 2018, SOCO also established official Twitter and Linked-in accounts. The Company uses a PR 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 NEDs are each responsible for taking sufficient steps to understand shareholder views, including any issues or concerns. This includes being available to SOCO's major institutional shareholders and responding to requests for additional communication with the Chair, Senior Independent Director or other NED. 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 Chair or the Executives. Upon the appointment of John Martin as an Independent NED, he, along with the Deputy Chair and Senior Independent Director, Rob Gray, had their first meeting with proxy advisers to gain a greater understanding of their voting recommendation policy.

AGMs

Both before and after the formal proceedings of each AGM, all Directors and senior management, including the chairs of the Audit and Risk, Remuneration and Nominations Committees, make themselves available to meet and chat with shareholders, answer shareholder questions and respond to any specific queries.

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 AGM proxy voting is announced after votes are taken on a show of hands.

Accountability statement page references

Accountability statements	Report	Pages
Business Model and Strategy	Strategic Report	20
Directors' Responsibility Statement	Annual Report of the Directors	100
Auditor's Statement	Independent Auditor's Report	102
Going Concern Statement	Financial Review	35
	Annual Report of the Directors	100
Viability Statement	Risk Management Report	42
Critical Judgements and Accounting Estimates	Note 4 to the Financial Statements	118
Risk Management and Internal Control	Risk Management Report	36
	Corporate Governance Report	70
	Audit and Risk Committee Report	80
Audit and Risk Committee	Corporate Governance Report	70
	Audit and Risk Committee Report	76 to 81
Nominations Committee	Corporate Governance Report	69
	Nominations Committee Report	72 to 75

Corporate culture

It has been important to the Board, in particular following a number of Board and Senior Management changes since 2017, to preserve and enhance a corporate culture of honesty, fairness, transparency, engagement and respect. The Board schedule format has been adjusted to give space for increased engagement amongst the NEDs, including the Senior Independent Director and the Chair, without the presence of the Executives, and to provide further opportunity to raise and discuss concerns.

For the workforce, this has been approached in a variety of forms including extending participation in the Company's share schemes, lunch and learn sessions with management and other feedback channels, including through the Group's whistleblowing policy and access to a dedicated and anonymous hotline.

One of the provisions of the 2018 Code, which takes effect for SOCO from 1 January 2019, is employee engagement at a Board level. Given the size and location of SOCO's workforce (23 employees with the majority UK based), it was proposed that a UK based independent NED be nominated as the Director to represent the employee voice at Board level. In December 2018, John Martin was appointed to the role and proposes meeting with the head office staff at least twice annually without executive colleagues present. Staff based outside head office will also be provided with a forum to communicate directly with the appointed Director representative.

The 2018 Corporate Governance Code

The 2018 Code, which will apply to the current and future financial years, is shorter than the 2016 Code, but contains changes to the 2016 Code in certain key areas that will affect the Company and the Board. These include:

- + Workforce and stakeholder voice and employee engagement, including representation of staff in Board-level discussion through either an employee-appointed director, a workforce advisory panel or a designated non-executive director.
- + The requirement to consult with shareholders following shareholder voting opposition of more than 20% to a board recommendation.
- + The requirement when making new director appointments, to take into account other demands on directors' time, and make suitable disclosure.
- + Board evaluations, and the requirement for the Nominations Committee to record the nature and extent of an external evaluator's contact with the board and individual directors.
- + The promotion of gender, social and ethnic diversity.
- + Broader responsibilities for remuneration committees to review workforce remuneration and related policies and alignment of incentives and rewards with culture.

- + The requirement that Chairs of remuneration committees should have served for at least 12 months on a remuneration committee before appointment.
- + Vesting periods for share awards, including development of a formal policy for post-employment shareholding requirements.
- + The requirement that the chair should not remain in the post beyond nine years from the date of their first appointment to the board, and that the chair should demonstrate objective judgement throughout their tenure.
- + The requirement for the board to assess and monitor culture so that policy, practices or behaviour throughout the business are aligned with the company's purpose, values and strategy.
- + The requirement for a means by which the workforce can raise concerns in confidence and anonymously, with the board routinely reviewing this and the reports arising from its operation, including making arrangements for proportionate and independent investigation and for follow-up action.

The 2018 Code also removes certain exemptions for "smaller companies", meaning companies outside the FTSE 350, that are available to the Company under the 2016 Code. The principal "smaller company" exemption relied upon by the Company under the 2016 Code is from the requirement that at least half the board, excluding the chair, should comprise Independent NEDs.

With this exemption no longer available to the Company in the 2018 Code, and with the requirement in the 2018 Code that the chair remain in place for no longer than nine years, the Board will seek to rebalance its composition during 2019 by initiating an external search process for:

- + a new independent Chair to succeed me; and
- + a further Independent NED.

Subject to this, the Board is satisfied that it is either already compliant with the new or revised provisions of the 2018 Code, or considered it is well positioned to achieve such compliance during the current financial year.

Nominations Committee



Rui de Sousa
Nominations Committee Chair

Meeting membership and attendance

Committee member	2018 attendance
Rui de Sousa (Chair)	+++
Ed Story (President and CEO)	+++
Rob Gray* (Deputy Chair and Senior Independent Director)	+++
John Martin* (appointed 7 June 2018)	++
António Monteiro*	+++

+ Attended * Independent NED

Role of the committee

- + Ensuring the composition of the Company's leadership remains effective and competitive.
- + Leading the process for Board and Committee appointments and making recommendations to the Board.
- + Annually reviewing the Board balance, structure, composition, diversity and succession planning.
- + Establishing an ongoing process for evaluating the Board's performance and effectiveness.

The Committee led a process to ensure that Board independence increased during 2018 and will continue into 2019 taking into account the Board composition requirements of the new 2018 UK Corporate Governance Code.

Membership

- + During the year, the Committee comprised the Chair, the Chief Executive Officer and the three Independent Non-Executive Directors ('NEDs'), Rob Gray, António Monteiro and, following his appointment as a Director on 7 June 2018, John Martin.
- + The qualifications of each of the Chair and members are set out on pages 72 to 75.

Board changes

John Martin joined the Board on 7 June 2018 and was appointed as Chair of the Audit and Risk Committee and a member of the Remuneration and Nominations Committees. Rob Gray who chaired the Audit and Risk Committee until John's appointment remained on that Committee as a member. Olivier Barbaroux retired from the Board as a Non-Executive Director on 7 June 2018 at the conclusion of the Company's AGM.

Meetings

The Committee conducted its duties through three meetings held during 2018. The Chair additionally led discussions before the full Board on certain matters within the Committee's terms of reference. Other Directors were invited to attend Committee meetings, where determined to be appropriate or beneficial. The first meeting of the year, held in Q2 2018, was attended by all four members appointed to the Committee at the time. John Martin joined the Committee upon his appointment on 7 June 2018 and attended both meetings held in the second half of the year. During the year the following areas were discussed at the Committee meetings:

Meeting	matter	Discussions and outcomes
Q2	Board changes and ongoing refreshment	John Martin was recommended to the Board for appointment as a Director. Board refreshment and independence were discussed in light of the forthcoming 2018 Corporate Governance Code, applicable to financial years commencing on or from 1 January 2019. Plans were put in place to ensure full compliance as soon as practicable.
Q3	Board refreshment	Board refreshment was considered in relation to NED independence.
Q4	Board refreshment and succession planning	Recommendations for NED appointments were considered. Succession planning was discussed in relation to senior management at Board level and reporting into Board level.
	Workforce engagement	Compliance with the new Corporate Governance Code requirements for workforce engagement was discussed. A UK-based Independent NED was nominated to engage with and represent the employee voice in the Boardroom.
	Annual Board, Committee and Director evaluations	The Committee reviewed the Board Evaluation Report and considered proposed actions including training and development needs.
	Annual review of Board balance, structure, independence and composition	Board balance and the current Board profile, including structure, independence, time commitments, diversity and conflicts of interest were considered.
	Annual review of Committee terms of reference	The TOR were recommended to the Board.

As at 31 December 2018, the Board comprised three Executives and five NEDs, including the Chair. Three of those NEDs were considered independent for the purposes of the 2016 UK Corporate Governance Code ('2016 Code'). As stated below under "Independence", one of those NEDs, António Monteiro, will cease to be considered independent by the Board at the expiry of nine years' service since his initial election at the 2010 AGM. António has informed the Board that he will not submit himself for re-election at the 2019 AGM, and will retire at the conclusion of that meeting. Rob Gray will assume the role of Chair of the Remuneration Committee following António's retirement.

Board refreshment and succession planning

Board refreshment and succession planning continue as ongoing processes. With the Board changes in 2017 focusing on the Executives, in 2018 the priority was to increase the independent component of the Board and to begin preparations for the new requirements on board composition introduced by the 2018 UK Corporate Governance Code ("2018 Code") to apply to financial years commencing on or after 1 January 2019.

The year began with the Company in discussions on a potential corporate transaction. This transaction, had it been consummated, would have resulted in significant changes to the composition of the Board, including the appointment of new Independent NEDs. However, SOCO withdrew from the discussions in March 2018, after which the Committee commenced a programme to identify and recommend suitable candidates for Independent NEDs. John Martin was appointed as an Independent NED on 7 June 2018, and was at the same time appointed as Chair of the Audit and Risk Committee and member of the Remuneration and Nominations Committees.

As announced on 19 February 2019, Marianne Daryabegui, an Independent NED, has been appointed to the Board with effect from 15 March 2019. Marianne, who had previously been an Independent NED of the Company between October 2013 and October 2016, will also serve as a member of the Remuneration, Nominations and Audit and Risk Committees.

The Committee will continue to pursue suitable candidates for Independent NEDs and a new Chair in 2019, with the objective of full compliance with the 2018 Code by the end of the year. The search

consultancy firm, Korn Ferry, has been appointed to assist the Board and the Committee in this process during 2019.

Succession planning for the roles within senior management reporting into Board level has also been given consideration.

Appointments Process

Board appointments are made through a formal process led by the Nominations Committee. In relation to the recruitment and appointment of non-executive directors, the Committee recognises the emphasis placed by the 2016 Code on the engagement of an external search consultancy or the open advertising of vacancies. Although John Martin's appointment in 2018 resulted from an informal introduction rather than through an external search consultancy or from an open advertisement, the Committee ensured that appropriate steps were taken to establish John's objectivity and independence. These steps included personal meetings with each member of the Committee before recommendation of the appointment. The Committee also took into account John's extensive experience in international banking in the oil and gas industry considered to be particularly relevant to the Company's strategic outlook and positioning.

New director induction for John Martin was facilitated by the Company Secretary upon his appointment. The appointment letter for John Martin and the other NEDs, together with the service contracts for the Executive Directors, are available for inspection under standard conditions.

More recently, the Committee assessed the suitability of Marianne Daryabegui for reappointment as an Independent NED, taking into account her previous three year service on the Board, and concluded that her expertise and track record in oil and gas and corporate finance, with particular experience in the Group's new region of focus in the Middle East and North Africa, would complement and enhance the skills and experience of the current Board.

Independence

As stated above, increasing the balance of independence of the Board has been a priority for the Committee during 2018. At the start of 2018, and as a "smaller company" under the 2016 Code, SOCO had two Independent NEDs Rob Gray (Senior Independent Director and Deputy Chair) and António Monteiro. A further Independent NED, John Martin, was appointed on 7 June 2018 with effect from conclusion of the AGM. The independence of these three NEDs was further assessed and accepted in December 2018.

António Monteiro will reach nine years service since his first election by shareholders at the 2010 AGM and, consistent with paragraph B.1.1 of the 2016 Code, will cease to be considered to be independent by the Board at that point. António will not submit himself for re-election at the 2019 AGM and will accordingly will step down from the Board at the conclusion of the meeting.

Notwithstanding António's retirement, the independent presence on the Board will be maintained and reinforced with the appointment of Marianne Daryabegui to the Board with effect from 15 March 2019.

The Committee recognises that, under the new provisions of the 2018 Code applicable to the current financial year commencing 1 January 2019:

- + SOCO will no longer have the ability to rely on the "smaller company" exemption from the general requirement that at least half of the Board, excluding the Chair, must be Independent NEDs; and
- + The Chair should not remain in place beyond nine years from the date of first appointment, save that the period can be extended for a limited time to "facilitate effective succession planning".

The implications of the changes to board composition introduced by the 2018 Code will be central to the Committee's discussions and work in 2019.

Board balance

The Committee assesses the Board's balance of skills, experience, independence, diversity, tenure and knowledge of the Company and the industry on an annual basis. The assessment in 2018 included consideration of the Company's leadership needs within the context of growth, portfolio diversification and long term strategy. The discussions determined that the current balance remains appropriate and sufficient to effectively promote the long term success of the Company and would be further enhanced through the process already underway to increase the number of Independent NEDs and prepare for compliance with the 2018 Code.

The Board's current balance and composition are shown on page 62.

Diversity

SOCO's approach to diversity and inclusiveness is embedded within the Group's Human Rights Policy available on the Company's website at www.socointernational.com/hses-policies. A key aim of the Policy is a workplace that is inclusive and free from discrimination.

In applying the Human Rights Policy to Board composition, the Committee pursues diversity of approach, experience, knowledge, skills, and professional, educational and cultural backgrounds. The international and global perspective achieved has enhanced the Board's discussions on business development, M&A and operational and financial integration.

In its annual review of diversity, the Committee noted diversity of gender, age, demographics, skills, professional backgrounds, experience and education amongst the Board and senior management.

Board evaluation

In 2018, the Board carried out its annual evaluation of its own performance and effectiveness and that of its principal Committees and individual Directors. The Committee led the process and shared the results with the full Board. The Committee was assisted in this process by the Company Secretary.

Annual Board evaluations had been conducted externally until 2017 when Tony Hunter, who had previously led the external process on behalf of Nautilus Management Limited, was appointed as Company Secretary.

As in 2017, the 2018 evaluation was the first to be conducted with the current complement of Directors. It was conducted through confidential questionnaires that solicited an evaluation of the Board's performance in regards to the following:

- + Strategy and risk, including how the Board has handled risk and opportunities
- + Corporate Responsibility
- + Succession planning
- + The performance of the Chair, Deputy Chair and Independent NEDs
- + Board effectiveness and operation
- + The operation of the principal Board committees
- + Board training and development needs
- + Time commitment

Following the evaluation process, a number of areas were identified for ongoing focus in 2018 including:

- + Continuation of the programme to increase Board independence, particularly in light of the new 2018 Code
- + The importance of maintaining an atmosphere of open discussion and challenge and informal discussion between meetings

The results were discussed by the Committee, led by the Committee Chair, and shared with the whole Board. The results of the Chair's performance review were discussed with the other NEDs, led by the Deputy Chair and Senior Independent Director, and communicated to the Committee Chair.

Re-election

All Directors annually retire and seek re-election by shareholders at the Company's AGM. The Committee makes its recommendation to the Board on each re-election resolution. Pending the Chair confirming his satisfaction that each Director continues to perform effectively and with the appropriate commitment to the role, the full Board then determines its own recommendation to shareholders in relation to those resolutions.

The full Board retired and offered itself for re-election by shareholders at the Company's AGM in June 2018, with the exception of Olivier Barbaroux who stepped down from the Board with effect from close of that meeting. All Directors were duly re-elected at the 2018 AGM, each receiving more than 95% of the proxy votes lodged in advance of the meeting.

All Directors will retire and, other than António Monteiro, will offer themselves for re-election at the 2019 AGM. This will include Marianne Daryabegui, appointed as a Director with effect from 15 March 2019.

The Committee is satisfied that each individual Director's performance continues to be effective and demonstrates commitment to the role and, accordingly, has recommended to the Board that each such Director remains in office subject to re-election by shareholders at the AGM.

The Committee formed its recommendations regarding re-election following assessments of Board balance, composition and independence.

Workforce engagement

During the year, the Committee discussed the requirements of the new 2018 UK Corporate Governance Code, applicable for financial years commencing on or after 1 January 2019, in relation to proposals for workforce engagement. The 2018 Code proposes three alternative means of achieving this: a director appointed from the workforce; a formal workforce advisory panel; or a designated non-executive director (or a combination of more than one of these).

It determined that due to the size and culture of the Company, the most effective means of ensuring representation of the workforce in the Boardroom would be to designate responsibility for workforce engagement to an Independent NED. John Martin was appointed by the Committee in this role in December 2018 and proposes meeting with the head office staff at least twice annually. Staff based outside head office will also be provided with a forum to communicate directly with the appointed director representative.

Board development, information and support

Throughout 2018, all Directors received ongoing access to resources for the update of their skills and knowledge; both on an individual and a full Board basis. Comments are solicited in the annual Board evaluation and discussed with the Chair.

Conflicts of interest

The Board has the power, subject to certain conditions, 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 and the Company's articles of association. Procedures are in place for ensuring that the Board's powers to authorise conflicts is used effectively and appropriately. 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 to authorise a conflict 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 their conflicts or in some cases, the potential for conflicts or the absence of conflicts. The Board assesses 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 assesses its conflict authorisations on an ongoing basis throughout the year and additionally performs a scheduled review in December.



Rui de Sousa
Nominations Committee Chair

Audit and Risk Committee



John Martin
Audit and Risk Committee Chair

Meeting attendance

Committee member	2018 attendance
Rob Gray*	++++++
António Monteiro*	++++++
John Martin* ¹	++

+ Attended

* Independent NED

¹ Appointed as Director and Chair of Audit and Risk Committee on 7 June 2018.

The Group's stated growth strategy will necessitate continued focus by the Audit and Risk Committee on robust governance over financial controls, prudent financial management including risk management and mitigation.

Dear shareholders,

Membership and responsibilities:

During 2017 and the first half of 2018, the Audit and Risk Committee comprised Rob Gray (Chair) and António Montiero, both of whom were considered by the Board to be independent throughout the year. In June 2018, I joined the Board as another Independent non-executive Director and having recent and relevant financial experience was appointed Chair of the Committee replacing Rob as the then existing Chair, Rob and António continued as members of the Committee. As Chair of the Committee I convene meetings on a regular basis and report to the Board throughout the year.

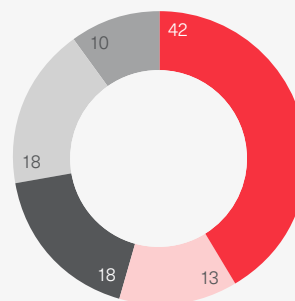
The Audit and Risk Committee has a formal document outlining its responsibilities, which is reviewed by the Board on an annual basis.

The Audit and Risk Committee Terms of Reference are available on our website, sociointernational.com.

Key responsibilities:

- + Reviewing and testing the integrity of the Group's financial statements to ensure full compliance with international financial reporting standards and requirements.
- + Overseeing the planning and execution of the on-going audit programme including review of audit quality and results.
- + Reviewing the effectiveness of internal control processes and systems, including IT control platforms.
- + Reviewing key financial, operational and corporate responsibility risk management processes, including environmental, social and governance risks.

Allocation of Audit and Risk Committee time (%)



Financials	42%
Internal Controls	13%
Risks	18%
Governance	18%
ESG	10%

Audit and Risk Committee meetings in 2018:

The Committee met six times during 2018. Of those, four were regularly scheduled Committee meetings held in March, June, September and December, and two were special meetings held in January and March. The two special meetings of the Committee were convened to recommend to the Board the full impairment of certain exploration assets, following the Board's decision not to invest further in the Group's Africa portfolio (which was subsequently divested in 2018), and to recommend to the Board to approve the change in accounting policy from modified full costs to successful efforts.

The Committee examines and discusses at each regularly scheduled meeting:

- + Detailed internal controls reports
- + Updated risk register and risk management reports
- + Review of environmental, social and governance matters

In addition to members of the Committee, all members of the Board, the finance management team and the external auditors, Deloitte's, attended all Audit and Risk Committee meetings.

During 2018 the following additional areas were discussed at meetings of the Committee:

January:

- + Special meeting to review and recommend for Board approval the proposed impairment of the Group's African exploration assets, for the financial year ended 31 December 2017.

March (two meetings):

- + Special meeting to review and evaluation of revised accounting policy from modified full costs method to successful efforts, for adoption in the Group's financial statements for the year ended 31 December 2017, with recommendation for Board approval.
- + Regular meeting to review Health, Safety, Environment and Social Report, including an update on Human Rights policy and Anti-Slavery statement for approval.

- + Review and Approval of 2017 financial statements, including reviews of Going Concern, Fair, Balanced and Understandable and Viability Statements.
- + Review of the 2017 external audit status, including analyses of findings of the external audit and key judgemental areas.
- + Update of Audit and Risk Committee Governance matters, with focus on internal controls processes and systems, and review of risk management and mitigation.
- + Review and approval of the updated Group Anti-Bribery and Corruption programme and policies and process for implementation of approved changes.

June:

- + Review of Health, Safety, Environment and Social Report.
- + Review of Internal Controls Report:
 - Cost recovery audits of joint operations in Africa and Vietnam
 - Update of Finance System enhancements including IT platforms
 - Update of policies, procedures and controls
 - Non-audit services
- + Review and assessment of risks including:
 - Anti-bribery and corruption profile
 - Significant risk matters and mitigation actions

- + Update on GDPR actions and IT systems.
- + Review and approval of calendar checklist of duties for Audit and Risk Committee Meetings for 2018.

September:

- + Review of Health, Safety, Environment and Social Report.
- + Update on Internal Controls and Risk Report:
 - Review of Internal Controls and Risk Report
 - Updated Delegation of Authorities

- Update on Criminal Finance Bill (2017)
- Review of Governance structure, Risk Management issues and Internal Control Processes
- Review and testing of Exploration and Producing Asset Valuations and Impairments.
- Review of Going Concern Report
- Review and approval of 2018 Interim Accounts, including presentation by external auditor Deloitte, and Audit and Risk Committee Comments
- Review and approval of the Treasury Committee Report, including financing terms and covenant compliance monitoring

December:

- + Review of Health, Safety, Environment and Social Report, including updates on policies and procedures.
- + Review of Internal Controls and Risk Report:
 - Update on Policies, Procedures and Controls
 - Review of draft revised 2018 Business Risk Profile and Mitigation Report
 - Approval of non-audit services
- + Annual Review of Terms of Reference of the Audit and Risk Committee
- + Year end planning review and approval of 2019 Audit Plan, taking into account the acquisition of Merlon Petroleum El Fayum Company.
- + Review and Discussion of significant risks.
- + Review and testing of exploration and producing asset valuations and impairments.
- + External audit scope and quality review
- + Update on the evaluation of the impact of the planned implementation of new accounting standards IFRS 9, 15 and 16, including presentations by Deloitte.
- + Review of recent developments in relation to various FRC requirements and other regulatory and compliance matters.

During the year the Committee focused on the following matters:

Financial reporting and significant accounting issues

During the first half of 2018, the Group's accounting policies, in accordance with best practice, were reviewed by management and the Committee to ensure that they remained appropriate for the Group's activities. As a consequence of that review, the Board approved the conversion from modified full cost basis to successful efforts to bring the Group more in line with UK-listed E&P industry players. This change was adopted in the Group's financial statements for the year ended 31 December 2017.

The Group adopted IFRS 9 – "Accounting for financial instruments" and IFRS 15 – "Revenue from contracts with customers" from 1 January 2018. The impact of these adaptations is disclosed in Note 2 of the financial statements.

Following the extension of the FPSO Bare Boat Charter in Vietnam during the period, IFRS 16 – "Accounting for leases" has been discussed by the Committee and with Deloitte. Management have identified all lease agreements across the Group and the preliminary impact of IFRS 16 is considered in note 2(c) of the Financial Statements.

Significant issues related to the 2018 Financial Statements

The Committee identified the significant issues that should be considered in relation to the Financial Statements for the year ended 31 December 2018, being areas which may be subject to heightened risk of material mis-statement.

New country entry – Egypt

Following detailed analysis and input from the Group's advisers and lending banks, the Committee reviewed and approved the proposal to invest in Egypt, in order to enable the Company to proceed with the acquisition of Merlon El Fayum Company.

Fair, balanced and clear and concise

The Committee advised the Board whether the annual report and accounts are taken as a whole, fair, balanced, clear and concise and provide 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 on page 100 of the Annual Report of Directors.

Change from modified full cost to successful efforts

In the year to 2017, the Group moved from a modified full cost basis to successful efforts in order to become comparable with our UK-listed E&P industry peers.

The effect of the new policy was reported in the Group's financial statements for the year ended 31 December, 2017.

Exploration and evaluation assets and impairment review

The Committee considered the Group's intangible Exploration and Evaluation assets individually for any indications of impairment, including the various indicators specified in paragraphs 18 to 20 as set out in IFRS 6 – "Exploration for and Evaluation of Mineral Resources".

At both the half year and year end 2018, the Committee considered whether various indicators of impairment existed and also the results arising from impairment reviews. Such reviews are carried out in relation to both Exploration and Evaluation assets, with the role of the Committee being focussed on challenging management's underlying assumptions and estimates and to judge whether they are realistic and justified. Deloitte also performed similar tests and tested the economic models to validate the integrity of the process and results. Following the impairment testing, the Committee recommended to the Board that no additional impairments be made for the current period.

Producing Assets, Property, Plant and Equipment ("PP&E") and impairment review

The Committee reviewed individually the Group's oil and gas producing assets classified as PP&E on the balance sheet for impairment with reference to IAS 36 Impairment of Assets. During 2018, the Group's PP&E oil and gas assets comprised its two Vietnam producing licences, TGT and CNV, which are described in the Operations review on page 24.

Following operational delays in both the 2018 and 2019 work programmes in Vietnam, the 2P reserves were revised to reflect the fact that some production would now most likely be deferred to a period beyond the term of the licence. This reserves downgrade was a trigger for the Committee to review the revised Net Asset Value ("NAV") of the assets compared to their carrying value in the accounts. If the NAV had dropped below the carrying value, there would have been an impairment charge to bring the carrying value down.

There are a number of assumptions which need to be made in assessing the NAV, including oil prices, production rates and discount rates. Using the Group's agreed economic assumptions, there is no impairment.

Both assets have been rigorously tested through economic modelling using a range of assumptions, and both were determined to have a fair value equal to, or in excess of, their book carrying value. The CNV asset was also assessed for any potential impairment reversal, as in 2014 an impairment provision was made. Management concluded, and the Committee agreed, that testing supported a reversal of the previous impairment. An impairment reversal of \$37.8m has been booked in the period to the income statement with a deferred tax charge of \$13.9m, increasing net profit by \$23.9m. The Committee has discussed the Group's PP&E assets and associated impairment testing with both management and Deloitte and agree with the treatment adopted, as detailed in Note 15 to the Financial Statements. Such approach has been approved by the Board.

Oil and Gas reserves

The Group's estimates of oil and gas reserves have a critical impact on the financial statements, especially in relation to DD&A and impairment of Exploration and evaluation assets. Oil and gas reserves, as discussed in Risk Management Report on page 36 are calculated using best practice and industry evaluation techniques which have uncertainties in their application.

The Committee reviewed, with management and Deloitte, results of third party reserve assessments conducted by ERCE during 2018 and the reserves audit conducted by our reserves auditor, the engineering and reserves consultancy RISC Advisory Pty Ltd ("RISC"), which are discussed further in the review of operations on page 24. These results have also been scrutinised by management, taking into account the status of the field's development, to be satisfied that reserve estimates are appropriate, that the related DD&A calculations are correct and that rigorous impairment testing has been conducted. Management also reviewed its estimate of future costs (including decommissioning costs) associated with producing reserves. Reserves estimates are inherently uncertain, and are regularly revised over the producing lives of oil and gas fields as new reserves estimates become available and economic conditions evolve. The Committee acknowledged that such revision may impact the Group's future financial position and results, in particular in relation to DD&A and impairment testing of oil and gas PP&E assets. An independent audit and review of the Group's producing assets in Vietnam, including certification of gross 2P reserves, was completed in February 2019 by RISC. As announced on 14 February 2019, and consistent with the RISC work, TGT and CNV 2P reserves were revised following 2018 production from 25.4mmboe to 23.0 mmboe due to operational delays and some production volumes being delayed beyond the licence expiry date. Notwithstanding this reduction to 2P reserves, the Group's 2019 production guidance for Vietnam was maintained at 6,500-7,500 boepd net to SOCO.

Sale of SOCO Congo Limited: Valuation

In June 2018, the Group sold its shares in the company SOCO Congo Limited, which in turn owned the entire issued share capital of SOCO Exploration and Production Congo SA ("EPC"), the operator and holder of a participating interest in the Marine XI PSC, offshore Congo (Brazzaville) and the four exploitation permits under that PSC. Legal transfer of the Group's shares in SOCO Congo Limited took effect immediately following signature of the sale and purchase agreement under Cayman law, the law applicable to the transfer of shares in SOCO Congo Limited as a Cayman incorporated company. The purchaser of SOCO Congo Limited assumed all post-completion risks associated with the transfer of the shares, including any implications for EPC in discussions with the Congolese authorities.

The consideration for the sale of shares was structured in tranches, with each tranche contingent on one or more triggers related to operational or commercial progress on the permit. More details of the consideration structure and triggers were set out in the Company's announcement on 25 June 2018 and are described in note 34 of the Financial Statements. We have evaluated carefully the chance of success of each of these triggers and, whilst this is a very difficult area to judge, have made our best estimates and provided full disclosure of the percentage chance of success we allocate to each of these triggers. We understand there has been limited progress on the first trigger (signature of the special agreement documenting the first exploitation permit bonus) since completion, while the purchaser has taken time to establish themselves in country as the ultimate owner of EPC. There is no formal or reliable evidence available to us which suggests our initial estimates, originally published in the Company's interim results statement on 20 September 2018, should be changed.

Risk assessment

The Committee carried out a detailed risk assessment in which it reviewed existing risks and identified new risks as appropriate. The likelihood and significance of each risk was evaluated along with proposed mitigating factors and was reported to the Board. All new risks or changes to existing risks were monitored throughout the year and discussed at each Committee meeting. The Committee maintains a comprehensive bribery risk assessment and mitigation procedure to ensure that the Group has procedures in place to eliminate bribery, and that all employees, agents, contractors, and other associated persons are made fully aware of the Group's robust policies and procedures on a regular basis.

Whistleblowing procedure

The Committee has reviewed and is satisfied with the Company's procedures for "whistleblowing", enabling employees to raise issues in confidence concerning improprieties which would be addressed with appropriate follow-up action. The Group has in place an Ethics Hotline using an independent confidential telephone service available to staff to report a suspected breach of the Group's Code of Business Conduct and Ethics. No calls to the telephone service were logged in 2018, and there were no other whistleblowing reports received or logged within the Group during the reporting period. After the financial year end, in early 2019, a report was received about one member of staff using Company assets for personal use. The staff member has since left the organisation.

Internal controls and risk management systems

The Board is primarily responsible for the effectiveness of the Group's internal control systems. The Committee has been delegated the responsibility to monitor and assess the effectiveness of the control systems operated by management. The External auditor, Deloitte, also provides feedback and recommendations on controls which are brought to the attention of the Committee.

Internal controls and risk management issues are discussed in detail and reviewed for effectiveness at each Committee meeting, with a report being provided to the Board for approval.

Internal controls focus for 2019 will be on the Merlon integration, GDPR, and cyber security.

Given the size and scale of the Group's current activities, a formal Internal Audit function has not been considered to be appropriate at this time. However, as the Group's stated growth strategy is achieved, an internal audit will play a role in supporting our work on the internal control environment and a full Internal Audit function may be put in place at an appropriate time in the future. This function remains under review by management and the Committee, and is more fully described in the Risk Management Report on page 36.

The Treasury Committee meets regularly to reviews the RBL covenants compliance and review the Group's liquidity, hedging requirements and investment strategy.

The Committee reviewed and approved the related compliance statements set out in the Risk Management Report. The Committee has also reviewed and approved the statements regarding compliance with the 2016 UK Corporate Governance Code (the "Code"), in the Corporate Governance Report on page 68. The Committee reviewed and discussed with management and the auditor the Company's relevant financial information prior to recommendation for Board approval. This included the Financial Statements and other material information presented in the annual and half year reports. The Committee considered the significant financial reporting issues,

Key judgements and estimates in financial reporting

Key judgements and estimates in financial reporting	Audit and Risk Committee review	Outcomes
New IFRS Accounting Standards	+ IFRS 15 – revenue from contracts with customers	+ \$nil quantitative effect
	+ IFRS 9 – "Accounting for Financial Instruments" – depends on timing of implementation of oil price and/or interest hedging activities	+ Immaterial quantitative effect
	+ IFRS 16 – "Accounting for Leases" – all lease contracts across the Group being assessed	+ Estimates included in Note 2 to the Financial Statements
Asset carrying values and impairment testing – including judgements on future oil pricing, discount rates, production profiles, reserves and cost estimates	+ Reviewed the Group's oil price assumptions	+ The Group's long term price assumptions are broadly consistent with 2017
	+ Reviewed the Group's discount rates for impairment testing	+ The Group's discount rates remained unchanged from 2017
	+ Upstream impairment charges, reversals were reviewed twice during the year	+ There was a post tax reversal of \$23.9m of CNV asset – see Note 15 of the financial statements
Significant risks that could potentially impact on financial statements – including fair valuation of assets, reversal of impairment of CNV producing assets, DD&A estimates, override management controls	+ Reviewed fair valuation of all assets	+ Management's assessment of fair value judged as "reasonable and in compliance with IFRS 13" – fair value assessments
	+ Reviewed DD&A estimates, based on reserves reports, units of production and future development costs	+ Management's assessments of DD&A judged to be reasonable based on prudent assumptions
	+ Reviewed override of management controls	+ Under ISA 240 Management override of controls is presumed significant risk. No breaches were found. Strengthening of internal controls is in progress
Oil reserves accounting – including management's assumptions for future oil prices which have a direct impact on the estimate of the recoverability of asset values reported in the financial statements	+ Reviewed the Group's guidelines and policy for compliance with oil reserves disclosure regulations; including governance and controls	+ Following consideration changes were made to the Groups oil reserves guidelines policy
	+ Reviewed exploration charges	+ \$5.8m Vietnam Block 125 & 126
	+ Reviewed at each Committee meeting an update on the status of all ups	+ Updated third party estimates and independent audit completed, with results disclosed in financial statements for year end 2018

accounting policies and judgements impacting the Financial Statements, and the clarity of disclosures. The Committee conducted a review of its Terms of Reference for best practice, which were approved by the Board in early 2018. These will be reviewed again during 2019.

External auditor

In accordance with the Code's guidance concerning external audit tendering and rotation, a competitive tender process is required at least once every 10 years. Under the Statutory Auditors and Third Country Auditors Regulations 2016 the Group will conduct a competitive tender process no later than for the 2023 year-end audit. The Committee will continue to consider the appropriate timeframe in which to conduct such a tender process, in light of the regulatory requirements as well as auditor performance, audit quality, and independence.

External auditor – non-audit services

The external auditor is appointed primarily to carry out the statutory audit and their continued independence and objectivity is crucial. In view of their knowledge of the business, there may be occasions when the external auditor is best placed to undertake other services on behalf of the Group. The Committee has a policy which sets out those non-audit services which the external auditor 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 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.

Total audit and non-audit fees in 2018, were \$196k and \$651k respectively. The Committee approved all non-audit services provided by the external auditor in 2018. The principal non-audit fees during 2018 were \$583k in relation to due diligence related corporate finance services and other assurance services associated primarily with reporting accountant services on two transactions. The Committee reviewed the scope of the services and concluded that such services did not affect the auditor's independence and were consistent with relevant ethical guidance in place. Details of non-audit services are set out in Note 9 to the Financial Statements.

The Committee reviews its non-audit services policy on an annual basis and current policy requires all non-audit services to be pre-approved by the Committee. It is noted that the Group's policy sets out the permitted services and those that are prohibited.

Review of the effectiveness of the Audit and Risk Committee

During the year, the Committee has undergone an independent review of its effectiveness and results reported to the Board. The Committee was considered to be operating effectively and in compliance with the 2016 UK Corporate Governance Code and associated guidance. In the next financial year ending 31 December 2019 the effectiveness of the Committee will be assessed in light of the new 2018 UK Corporate Governance Code.



John Martin
Audit and Risk Committee Chair

Directors' Remuneration Report



António Monteiro
Remuneration Committee Chair

Table A: Remuneration Committee meeting attendance during 2018

Committee member	2018 attendance
Rob Gray*	+++++
António Monteiro*	+++++
John Martin ¹	++

+ Attended

* Independent NED

¹ Appointed as Director and member of Remuneration Committee on 7 June 2018

Role of the Committee

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

Dear shareholders,

On behalf of the Board, we are pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2018. This report has been prepared in accordance with section 421 of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Our Directors' remuneration policy was renewed at the 2017 AGM with 99% support from our shareholders. In line with the requirements of applicable law, we intend to put the policy to a binding shareholder vote at least once every three years. Accordingly, and unless changes to the current policy are proposed before then, we expect to next propose the Directors' remuneration policy to shareholders for approval at the 2020 AGM.

How performance was reflected in the pay of our Executive Directors

As reported throughout the Strategic Report, 2018 has seen significant steps made in repositioning the Company to a full-cycle and growth-oriented E&P company of scale. The proposed acquisition of Merlon Petroleum El Fayum Company highlights the robust financial, operational and strategic strength of the Company. 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 Director pay packages in 2018, whereby:

- + Salaries remain frozen (from the 2013 level for the CEO and from appointment for the other Executive Directors).
- + Annual bonus performance measures covered a broad range of performance indicators, including strategic, operational, financial, business development and CR measures. This was intended to ensure balanced performance is delivered which would reflect success in meeting our 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 pay-out.

+ Annual bonus awards were considered in light of the continued impact of the challenging oil price environment. Bonuses for all Executive Directors in respect of 2018 were awarded at 70% of maximum (2017: 65%) which was felt to be reflective of the significant work undertaken during the year in particular through broadening the asset base of the Group, exiting non value add positions with a potential draw on funds and repositioning the Company as a full-cycle and growth oriented.

Whilst the Committee has applied bonus deferral on a voluntary basis for a number of years, it has now formalised this policy to require that one-third of any bonus is delivered under the Deferred Share Bonus Plan. This ensures Directors' interests remain closely aligned with shareholders.

- + Long term incentive awards granted in 2016 did not meet the performance threshold and lapsed, based on relative total shareholder return measured over three years.
- + Long term incentive awards will be made in 2019 on the same basis as in prior years, 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 2018 are provided in the annual report on remuneration immediately following this letter.

Key decisions around remuneration for 2018

The revised 2018 UK Corporate Governance Code (the "2018" Code) will come into effect for the Company for the financial year ending 31 December 2019. Further information on the key changes to be introduced by the 2018 Code, and the Company's preparation for compliance with the revised 2018 Code, are set out in the Corporate Governance Report on page 68.

As part of its responsibility for setting Executive Directors' pay, the Committee already reviews and monitors the pay arrangements for other senior executives. We also now have oversight of the pay policy across the wider workforce. John Martin has been appointed as the designated Non-Executive Director for Employee Affairs and will attend at least two employee meetings per year, at which

a range of employment issues can be discussed. During the course of 2019, we will be developing our reporting processes so that the Committee is better informed of key employment information across the enlarged group and has the ability to better understand employees' views.

Our pension policy for Executive Directors is already consistent with that for all employees (as a percentage of salary). The structure of pay, albeit with different quantum limits, is also aligned across the wider workforce. The Company is undertaking a comprehensive review of employment benefits to better understand what our employees most value and how best to provide it to them in a meaningful way. The Committee will be involved in any material changes as a result of this review.

The Committee retains discretion to override annual bonus and LTIP outcomes if the formulaic result is not considered to reflect the overall performance of the business. The decision to reduce part of the 2016 annual bonus demonstrates that the Committee is willing and able to enact this discretion when it feels it is appropriate.

In implementing the remuneration policy, the Committee focused its attention on improving 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 actively considers ESG factors in assessing the bonus out turn.

Outlook for 2019

The current policy is considered to be working effectively and therefore no substantial changes are proposed. There will be no salary increases for Executive Directors. Annual bonus measures will continue to promote performance against broad criteria which reflect the key priorities of the business over the next year, including the timely and efficient integration of Merlon into the Group. Long-term performance will

continue to be measured against relative TSR. The Committee considered what other measures could be used and has concluded that TSR is the only metric which is relevant for an E&P Company at this stage of maturity. It applies a more demanding relative TSR scale than general market practice, thus ensuring alignment with shareholder value creation.

As I mentioned at the start of this letter, the directors' remuneration policy is scheduled to be proposed to shareholders at the 2020 AGM. The Committee will be spending time during 2019 considering if any changes to the current policy are required, particularly in light of the new business structure. Any material changes proposed will be the subject of consultation with our major shareholders.

For the first time since 2014, the fees payable to the Chair and other Non-Executive Directors were increased with effect from 1 January 2019. The increases are set out in the section of this report headed "Non-Executive Director remuneration" and reflect the additional responsibilities and time commitment associated with the roles of the non-executives.

We look forward to receiving your support again for this year's report at the upcoming AGM.

I will retire as a Director at the conclusion of this year's AGM. I will be succeeded as Chair of the Committee by Rob Gray, who has served as a member of the Committee since 2017. The recently appointed independent NED Marianne Daryabegui will join the Committee with effect from 15 March 2019, and I wish Rob, Marianne and John, together with my other Board colleagues, all the best for the future success of the business.



António Monteiro
Remuneration Committee Chair

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 2018. It also provides comparative figures for 2017:

Transparency disclosure 2018 (unaudited)

	Fees/salary \$000's	Benefits ¹ \$000's	Bonus \$000's	LTIP \$000's	Pension \$000's	2018 Total \$000's
Executive						
E Story	924	228	971	–	139	2,262
J Brown ²	601	81	620	–	90	1,392
M Watts ²	601	218	620	–	90	1,529
Non-Executives						
R de Sousa	254	–	–	–	–	254
O Barbaroux*	29	1	–	–	–	30
E Contini	67	–	–	–	–	67
R Gray	133	–	–	–	–	133
A Monteiro	73	4	–	–	–	77
J Martin*	41	–	–	–	–	41
Total	2,723	532	2,211	–	319	5,785

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 includes taxable travel and accommodation expenses to attend Board functions in the year, and the tax payable thereon, in accordance with HMRC guidance.

1 The near term average exchange rate at the end of the performance period of 1.26 has been used to convert share price from GB pounds to US dollars.

2 Executive Directors' fees and the salaries of Jann Brown and Dr Mike Watts are set in GB pounds and are reported in US dollars at the annual average exchange rate.

* Fees paid to the Executive and Non-Executive Directors are in proportion with their dates of service.

	Fees/salary \$000's	Benefits \$000's	Bonus \$000's	LTIP \$000's	Pension \$000's	2017 Total \$000's
Executive						
E Story	924	158	901	–	139	2,122
R Cagle*	599	92	584	–	90	1,365
C Cagle*	408	80	398	–	61	947
J Brown*	79	7	518	–	12	616
M Watts*	79	10	518	–	12	619
Non-Executives						
R de Sousa	245	2	–	–	–	247
O Barbaroux	64	2	–	–	–	66
E Contini	64	–	–	–	–	64
R Gray	86	–	–	–	–	86
A Monteiro	71	7	–	–	–	78
M Watts*	6	–	–	–	–	6
Total	2,625	358	2,919	–	314	6,216

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.

* Fees paid to the Executive and Non-Executive Directors are in proportion with their dates of service with the exception of the bonuses for Jann Brown and Mike Watts which are shown from the original date of their employment in February before taking up their appointment as Executive Directors on 12 November 2017.

The aggregate emoluments of all Directors during the year was \$5.8m.

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 its core strategic objectives.

The performance measures were chosen to ensure that Executive Directors are focused on the near term objectives that build the long term delivery of value to shareholders, which results in a combination of measures being used covering strategic, operational, financial, business development and CR 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.

2018 Annual bonus measures and outturns

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

Metric	Weight	Performance	Bonus awarded
Business development	40%		35%
Diversification of asset base	40%		35%
Link to strategy Taking advantage of early access into regions, projects or situations where there is potential to create significant upside through the Company's participation.	Target + Acquire other cash generative asset(s) base. + Maintain a pipeline of opportunities.	Performance SOCO announced the acquisition of Merlon Petroleum El Fayum Company for approximately \$215m. This transaction would acquire a 100% operated working interest in the onshore El Fayum concession in Egypt which is expected to be immediately cash generative. Merlon produced 7,859 boepd (net) in 2017 and has potential to increase production levels to a target in excess of 15,000 boepd (net) by 2023. The purchase is to be funded through a combination of existing cash facilities and the issue of shares.	Outcome On track for completion in H1.
Financial/Operational	25%		15%
Production	15%		7.5%
Link to strategy Optimising the production efficiencies in our core business area.	Target + Optimise TGT and CNV performance to meet budget targets. The target range was agreed as 7,000 – 7,400 boepd.	Performance Overall production turnout was 7,274 boepd.	Outcome The Committee considered the production outturn was good, both in absolute terms but particularly in the context of the headwinds faced by the Company and therefore a performance of 'target' was assessed as appropriate.

Remuneration Report

continued

Metric	Weight	Performance	Bonus awarded
Financial/Operational continued			
South East Asian development programme	5%		2.5%
Link to strategy Maximising production levels from current operating activities.	Target Execute TGT/CNV drilling programme successfully, measured against pre-drill expectations and budget, schedule and target HSSE performance. TGT: + Predrill production performance was targeted as 1-2,500 boepd per well. + Plan schedule was 140 days. CNV: + Predrill production performance was targeted as 1-5,000 boepd. + Plan schedule was 50 days.	Performance TGT: + Two of three planned wells completed in time period, third well still operating. + Completed wells drilled in line with expectation and within budget. + HSSE targets met. CNV: + Adjusted for the second side-track the well was delivered in line with a revised budget of 100-day and at a gross cost of \$20m. + The well hit the main target fracture on depth. Well performed in line with expectations and continues to clean up. + HSSE targets met	Outcome Forced bidding of rig, equipment and services forced delays to timetable, but management actions minimised impact and resulted in acceptable outcomes, hence target was achieved for this element.
African rationalisation	5%		5%
Link to strategy Maintaining capital discipline through the sharp focus on core areas where we can maximise value.	Target + Reduce annual carrying cost of African Assets.	Performance + Both African positions were divested of during the year. + 80% stake in SOCO Cabinda Ltd was divested for a cash consideration of \$5m. + 85% stake in SOCO Congo Ltd was divested for a cash consideration of up to \$10m and an overriding royalty on all future gross oil and condensate production sold from the interest.	Outcome Exits from non-core African business was achieved on time and within budget.
Corporate	35%		20%
HSSE Performance	10%		7.5%
Link to strategy Ensuring our technical expertise is used to manage health and safety risks in a proactive manner and maintain our current excellent safety standards throughout the portfolio.	Target + No lost time incidents. + No environmental spillage. + Successful roll out of HSSE systems for new operating office in Vietnam for Blocks 125 & 126. + Ensure appropriate training programmes for all layers in company.	Performance + No lost time incidents on SOCO operated assets or within HLHVJOC operations. + No environmental spillages on SOCO operated assets or within HLHVJOC operations. + HSSE systems fully in place in HCMC office. All team members participated in corporate training and processes have been embedded into practice. + Effective training programmes have been established and implemented for new hires, including Non-Executive Directors, management and staff.	Outcome A substantial part of the HSSE programme has been delivered effectively during the year. The delay in implementing the full training programme to all executives has meant this element of the bonus is assessed as between Target and Maximum.

Metric	Weight	Performance	Bonus awarded
Corporate continued			
CR and Business Ethics	10%		7.5%
Link to strategy Demonstrating that we live our values, conduct business in the right way and actively manage risk.	Target + Successful roll out of Group programme and systems for new operating office in Vietnam for Blocks 125 & 126. + Effective training programmes have been established and implemented for new hires, including Non-Executive Directors, management and staff.	Performance + Programme delivered on a timely basis. Processes have been embedded. + Ensure appropriate awareness training programmes are implemented and working effectively.	Outcome A substantial part of the CR and Business Ethics programme has been delivered effectively during the year. The delay in implementing the full training programme to all executives has meant this element of the bonus is assessed as between Target and Maximum.
Succession Planning	10%		2.5%
Link to strategy Active talent management to ensure we attract and retain high calibre individuals who can execute the Company's strategy.	Target + Identify successors for each key management position over 1,3 and 5-year time horizons. + Ensure that appropriate and relevant training programmes are in place for potential internal successors.	Performance + Succession plans in place for top nine executive roles. Relevant training programmes in place for identified potential successors.	Outcome Clear direction for talent management agreed and training programmes already starting to deliver positive results.
Process improvement	5%		2.5%
Link to strategy A small management team needs to focus on clear value added items: efficient processes and controls to support this.	Target + Identify and map top twelve processes for improvement. + Detailed analysis and target efficiency savings to be made in four such processes.	Performance + Processes have been identified and mapped with potential improvements identified in treasury/payment procedures, Group Reporting and joint venture accounting. + Implemented a new streamlined and automated payment process.	Outcome Significant efficiencies and cost savings and a better platform into which acquisitions can be integrated.

The Committee has formalised past practice to require all Executive Directors to receive one-third of any bonus as awards under the Deferred Share Bonus Plan. This ensures their interests remain closely aligned with shareholders.

LTIP Vesting in Respect of January 2016 awards

The LTIP awards granted in January 2016, which would have vested in January 2019, did not achieve the threshold level of vesting and therefore lapsed. The table below sets out an overview of SOCO's relative TSR performance during that period.

	\$'000s	% of maximum
E Story	971	105%
M Watts	620	105%
J Brown	620	105%

		Performance against comparator group
Vesting schedule	25% vesting	Median (50th percentile)
	100% vesting	Upper 16th
Actual vesting	0%	60th percentile

In all material respects, the same performance targets apply to all subsequent awards.

Remuneration Report

continued

LTIP award grants

The LTIP awards granted in 2018 were set out in last year's report. It is anticipated that future grants, including the grant to be made in 2019, will be made following the announcement of the annual results in March. These will be made on a similar basis to prior years, with awards to Executive Directors over shares worth two times salary and subject to the same TSR measure (subject to confirmation of the precise list of comparators immediately prior to grant).

Directors' interests as at 31 December 2018

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. J Brown and M Watts have voluntarily invested 50% of their after tax salary into Company shares on a monthly basis since their appointment. This is intended to emphasise a commitment to the alignment of Executive Directors with shareholders and a focus on long term stewardship.

The table below sets out the Directors' interests as at 31 December 2018:

	Shareholding requirement		Beneficially owned shares	Awards subject to performance conditions ^{1,2}	Awards vested	Awards subject to service conditions
	(% of salary)	Achieved (Yes/No)				
Executive						
E Story ³	200%	Yes	14,073,747	3,416,516	521,557	227,175
J Brown ^{5,10}	200%	No	356,556	2,314,208	–	141,254
M Watts ^{6,10}	200%	No	490,453	2,314,208	–	141,254
Non-Executive						
R de Sousa ⁷	–	–	9,178,572			
O Barbaroux ⁹	–	–	–			
E Contini ⁸	–	–	29,000,000			
R Gray	–	–	–			
A Monteiro	–	–	–			
J Martin ⁴	–	–	30,000			

1 LTIP awards potentially vesting in January 2019 in respect of awards made in 2016 lapsed and are excluded from the above table.

2 DSBP awards made in January 2019 in respect of the 2018 annual bonus are excluded from the above table.

3 12,398,747 Shares are held personally by E Story. 1,675,000 Shares are held through The Story Family Trust, a closely associated person to E Story.

4 Appointed to the Board on 7 June 2018.

5 At the date of this report, J Brown was interested in 382,080 Shares.

6 At the date of this report, M Watts was interested in 515,474 Shares.

7 469,752 Shares are held personally by R de Sousa and 8,708,820 Shares are held through Palamos Ltd a closely associated persons to R de Sousa.

8 220,000 Shares are held personally by E Contini. 28,780,000 Shares are held through Liquid Business Ltd, a closely associated person to E Contini.

9 Retired as a Director on 7 June 2018.

10 At the date of this report, J Brown and M Watts are yet to reach the 200% shareholding requirement and are building up their interest through monthly investment of a portion of salary.

While the Executive Directors, as potential beneficiaries, are technically deemed to have an interest in all ordinary shares held by the SOCO EBT, the table above only includes those ordinary shares held by the EBT which are potentially transferable to the Directors pursuant to Options granted to them under the Company's incentive schemes. Details of the EBT and its holdings are set out in Note 26 to the Financial Statements.

There have been no changes to the Directors' interests subsequent to 31 December 2018 other than as described in the notes to the table above.

Annual Report on Remuneration (Unaudited section)

Share awards outstanding at 31 December 2018

	Type of award ⁷	As at 1 Jan 2018	Granted/awarded ¹	Adjusted ²	Lapsed	Released	As at 31 Dec 2018	Date potentially vested ^{3,4,5}	Expiry date
E Story ⁶	LTIP	880,857	–	38,647	–	–	919,504	8.01.19	–
	LTIP	1,003,235	–	46,757	–	–	1,049,992	25.01.20	–
	LTIP	–	1,380,247	66,773	–	–	1,447,020	23.3.21	–
	DSBP	521,557	–	–	–	521,557	–	8.01.18	–
	DSBP	–	216,692	10,483	–	–	227,175	26.4.20	–
J Brown ⁶	LTIP	1,258,169	–	58,640	–	–	1,316,809	06.02.20	06.02.27
	LTIP	–	951,374	46,025	–	–	997,399	23.03.21	23.03.28
	DSBP	–	134,736	6,518	–	–	141,254	26.04.20	26.04.28
M Watts ⁶	LTIP	1,258,169	–	58,640	–	–	1,316,809	06.02.20	06.02.27
	LTIP	–	951,374	46,025	–	–	997,399	23.03.21	23.03.28
	DSBP	–	134,736	6,518	–	–	141,254	26.04.20	26.04.28

- The face value of awards granted to E Story, J Brown and M Watts in the year was 2 times' salary.
- Outstanding awards under the Company's share schemes were adjusted for dividend equivalents in accordance with plan rules (see Note 29 to the Financial Statements).
- LTIP awards vest subject to SOCO's relative TSR performance against a group of comparator companies and subject to a further holding requirement. DSBP awards vest subject to continued service over a two year vesting period.
- LTIP awards with a potential vest date in January 2019 did not achieve the performance threshold and lapsed.
- In accordance with market regulation, DSBP awards potentially vesting in January 2019 were determined to not be capable of vesting before 06 March 2019, subsequent to the date of this report.
- Awards to E Story were structured as conditional awards. Awards to M Watts and J Brown were structured as nil cost options.
- LTIP awards vest at 25% when the threshold is met.

Payments for loss of office and payments to former directors

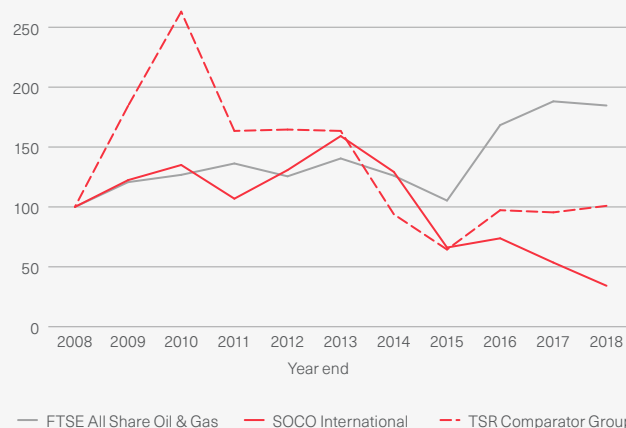
There have been no payments for loss of office during the year.

As stated in last year's report, Roger Cagle and Cynthia Cagle each stepped down from the Board on 12 November 2017 and remained employed by the Group until 1 September 2018. The single figure table for 2017 includes their emoluments to the date they stepped down from the Board. They continued to receive their salary and fixed benefits until 1 September 2018. They retain all DSBP awards and LTIP awards to their normal maturity with the LTIP awards being pro-rated to the date they cease to be employed. Such vestings will be reported in subsequent reports. The Cagles were eligible to receive the 2016 LTIP in the same manner as other participants, but as the performance condition was not achieved, this award lapsed. The Company also made a contribution of £3,500 plus VAT to each of their legal fees incurred in agreeing to their retirement terms and reimbursed the costs of shipping personal belongings to the US. Roger Cagle and Cynthia Cagle benefit from certain historic tax equalisation arrangements under which they may continue to receive payments related to historic earnings.

Historical TSR performance and CEO outcomes

TSR performance

The chart below illustrates SOCO's ten 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.



Remuneration Report continued

CEO outcomes

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CEO single figure of remuneration (\$000s) ¹	1,930	1,466	2,362	2,992	3,154	3,659	2,875	2,018	2,122	2,262
Annual bonus payout (% of maximum)	50%	25%	100%	100%	100%	80%	75%	35% ²	65%	105%
LTIP vesting (% of maximum)	59%	34%	53%	71%	66%	100%	96%	46%	0%	0%

1 Included a discretionary downward adjustment of 7.5%.

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.

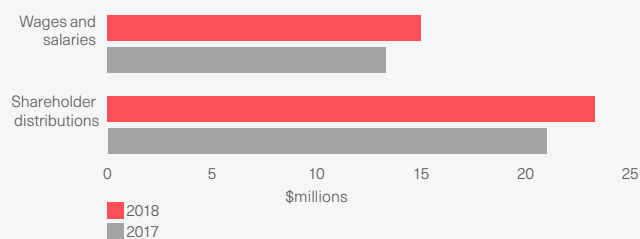
	% change in salary bonus (2018/2017)	% change in benefits (2018/2017) ¹	% change in annual bonus (2018/2017) ²
CEO	0%	44%	8%
All other employees	4%	8%	10%

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 Bonuses are awarded in respect of the calendar year.

Relative importance of spend on pay

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



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:

- + Ed Story serves on the board of Vedanta Resources PLC, for which he retained associated fees for 2018 in the amount of \$95,000 (2017: \$80,000); and
- + Jann Brown serves on the boards of Wood. and Troy Income and Growth Trust, for which she retained associated fees for 2018 in the amount of £82,580 (2017: £85,800).

Implementation for 2019

Base salary

Executive Directors' salaries have not been increased for 2019.

	2019 Base salary 000s	2018 Base salary 000s	Increase from 2018 %
E Story	\$924	\$924	0%
J Brown	£450	£450	0%
M Watts	£450	£450	0%

Benefits

For 2019, benefits available to Executive Directors will be consistent with those set out in the directors' remuneration policy approved at the 2017 AGM and as summarised further below.

Pension

For 2019, a pension benefit at 15% of salary will be provided to each Executive Director through contributions to SOCO's money purchase plan up to plan limits or a cash supplement. Our pension policy for Executive Directors is already consistent with that for all employees (as a percentage of salary).

Annual bonus

It is intended that annual bonus awards will be considered for Executive Directors in December 2019. The maximum total bonus opportunity for an Executive Director in each year 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 2019, and identifies the link from each of these measures to our core strategy of:

2019 KPIs

Metric	Weight	Measurement
Strategy / portfolio management	30%	
Complete Merlon transaction ahead of schedule		Milestone
Maintain pipeline of value accretive projects		Projects under review
Announce one acquisition		Milestone
Maintain a self funding business plan		Programme objectives and budgets
HSSE & CR	20%	
Indicators for Vietnam as last year		Maintain industry standards
Indicators for Egypt to be agreed post completion		Raise to industry standards
Operational & Financial	35%	
Vietnam production		Actual production
Merlon production		Exit rate boepd
Cash opex per bbl Vietnam		Programme objectives and budgets
Cash opex per bbl Egypt		TBC post completion
Deliver operating cash flow per share		Programme objectives and budgets
Net debt Ebidtdax		Actual
Integration of Merlon and Egyptian assets	15%	
Move from private standards to public		Milestone
Add Egyptian assets in borrowing base		Milestone

Details of how the Committee assessed performance against these weighted measures will be set out in next year's 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 Group's strategy, as well as the prevailing economic environment.

LTIP

It is intended that annual LTIP awards will be made to Executive Directors in early 2019 following announcement of the preliminary results for the year to 31 December 2018, in line with the director's remuneration policy approved at the 2017 AGM. 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 respect of 2019, the same performance measures will apply as for prior awards. The Committee considers that relative TSR remains the most appropriate measure for the LTIP at this time, particularly given the nature and cyclicity of the industry. Such a measure requires the Company to outperform other industry peers and is therefore less influenced by macroeconomic factors outside of management control. The relative TSR performance is also subject to a further underpin, which requires the Committee to be satisfied that the formulaic outcome is consistent with actual underlying financial and operational performance. The combination of the measure and underpin are considered to provide a balanced assessment of performance and value creation. As the Company's strategy develops the Committee will continue to consider the appropriateness of additional performance measures.

Malus and clawback provisions

All variable pay arrangements for Executive Directors 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. In each case the occurrence of those circumstances and the effect on variable pay arrangements will be determined by the Committee.

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 and are set out in the table below:

	Fee from 1 January 2019	Fee from 1 January 2018
Chair of the Company	£200,000	£190,000
Deputy Chair & Senior Independent Director*	£120,000	£100,000
Non-Executive Director	£60,000	£50,000
Additional fee: Chair of Audit and Risk Committee	£15,000	£5,000
Additional fee: Chair of Remuneration Committee	£15,000	£5,000
Additional fee: Workforce Engagement Nominated Director	£5,000	N/A

*Includes Fees for any Committee role

The Chair fees were reviewed and approved by the Remuneration Committee. The Non-Executive Director fees were reviewed and approved by the Board, excluding the Non-Executive Directors.

The fee increases proposed for 2019 are considered a reflection that there have been no increases since 2014, during which time there have been additional responsibilities and time commitments associated with the roles.

For 2019, benefits available to Non-Executive Directors will be consistent with those set out in the policy approved at the 2017 AGM. Non-Executive Directors are not eligible for participation in the Company's incentive or pension schemes.

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 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 and will also be available at the location of the 2019 AGM from at least 15 minutes before the start of the meeting and for the duration of the meeting. The dates of each director's service contract or letter of appointment, together with the corresponding notice period where applicable, are set out on page 97.

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 were Ambassador António Monteiro, Rob Gray and John Martin (from the 7 June 2018).

The Committee received assistance from Ed Story (President and CEO) and Jann Brown (Managing Director and CFO) subsequently, except when matters relating to their own remuneration were being discussed. The Committee additionally received assistance from other Non-Executives Directors when required.

The Committee has appointed FIT Remuneration Consultants LLP ("FIT") as its remuneration advisors, and fees of £26,845 were paid in 2018 for their advisory services. FIT is a member of the Remuneration Consultants Group and complies with their professional code of conduct. 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. The Committee takes into account pay conditions elsewhere in the Company, and considered matters related to Group remuneration.

Shareholder voting

The binding resolution on the directors' remuneration policy and the advisory resolution on the annual report on Directors' remuneration proposed and passed at last year's AGM received the following votes from shareholders:

	Remuneration policy (2017 AGM)		Remuneration report (2018 AGM)	
	Votes	%	Votes	%
Votes in favour	211,638,153	99.15%	178,389,045	93.48%
Votes against	1,807,216	0.85%	12,443,905	6.52%
Total Votes	213,445,369	100.00%	190,832,950	100.00%
Votes Withheld	2,500	-	21,549,300	-

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 Principles of Remuneration currently in force, 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 Chair

5 March 2019

Policy Report

Consistent with good practice, we set out extracts from the directors' remuneration policy approved at the 2017 AGM. The full policy is available in the 2016 annual report and on the Company's website.

Policy table for Executive Directors

The table below summarises our policy for each component of Executive Directors' remuneration:

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
<ul style="list-style-type: none"> + 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): <ul style="list-style-type: none"> – 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. 	<ul style="list-style-type: none"> + 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
Benefits		
Purpose and link to strategy		
To provide Executive Directors with market competitive benefits consistent with the role.		
Operation	Maximum	Performance criteria
<ul style="list-style-type: none"> + 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). 	<ul style="list-style-type: none"> + 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 \$250k or £200k, per Directors' base currency. + In addition to the above cap, the Company may contribute to relocation expenses up to 100% of salary. 	N/A
Pension		
Purpose and link to strategy		
To provide retirement benefits consistent with the role.		
Operation	Maximum	Performance criteria
<ul style="list-style-type: none"> + Pension benefits are delivered through contributions to SOCO's money purchase plan up to relevant plan limits and/or a cash supplement. 	<ul style="list-style-type: none"> + 20% of base salary per annum. 	N/A

Remuneration Report continued

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
<ul style="list-style-type: none"> + 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 2 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. 	<ul style="list-style-type: none"> + 150% of base salary per annum, including cash and deferred components at the discretion of the Committee. 	<ul style="list-style-type: none"> + The annual bonus is based on individual and corporate performance during the year. + Corporate goals are set annually and may include monitored measures for particular projects; portfolio objectives; corporate strategic goals; safety, social and environmental measures; financial measures and other measures as may be deemed appropriate and relevant to the period for delivery of the business strategy. + If the Committee determines that a minimum level of performance has not been achieved, no bonus will be payable. + Thereafter the bonus will begin paying out, up to the maximum of 150% of salary. + The Committee determines the appropriate weighting of the metrics each year.

LTIP

Purpose and link to strategy

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

Operation	Maximum	Performance criteria
<ul style="list-style-type: none"> + 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). 	<ul style="list-style-type: none"> + 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. 	<ul style="list-style-type: none"> + 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.

Shareholding guidelines

Purpose and link to strategy

Further increases alignment between Executive Directors and shareholders.

Operation	Maximum	Performance criteria
<ul style="list-style-type: none"> + 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

Policy Table for Non-Executive Directors

Component	SOCO's approach
Chair fees	<ul style="list-style-type: none"> + Comprises an all-inclusive fee for Board and Committee positions. + Determined by the Remuneration Committee and approved by the Board.
Non-Executive Director	<ul style="list-style-type: none"> + 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 Chair and Chief Executive Officer and approved by the Board.
Other	<ul style="list-style-type: none"> + 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).

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 on page 93. 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 on page 93.
- + 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 Chair 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 Chair or Non-Executive Director, remuneration arrangements will be consistent with the directors' remuneration policy approved at last year's AGM and summarised 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:

Remuneration Report

continued

Plan	Automatic good leaver categories	Treatment for good leavers	Treatment for all other reasons for leaving
Deferred bonus	<ul style="list-style-type: none"> + Death. + Ill-health, injury or disability. + Redundancy. + Retirement with agreement of the employer. + Any other reason as determined at the discretion of the Committee. 	<ul style="list-style-type: none"> + 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. 	<ul style="list-style-type: none"> + Awards will normally lapse in full (unless otherwise determined by the Committee).
LTIP and share option plan	<ul style="list-style-type: none"> + Death. + Ill-health, injury or disability. + Redundancy. + Retirement with agreement of the employer. + Any other reason as determined at the discretion of the Committee. 	<ul style="list-style-type: none"> + 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. 	<ul style="list-style-type: none"> + 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).

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 2018.

The following sections of this report are incorporated herein by reference and forms part of this Directors' report.

Strategic report	p2 – p60
Board of Directors	p66 – p67
Corporate Governance report	p68 – p71
Nominations Committee report	p72 – p75
Audit and Risk Committee report	p76 – p81
Directors' Remuneration report	p82 – p96
Financial Statements	p109 – p134
Additional Information	p135 – IBC

Developments following the 2018 reporting period

An indication of the likely future developments in the business of the Group is included in the Strategic Report on pages 2 to 60. There were no significant events after the balance sheet date.

Results and dividends

The audited Financial Statements for the year ended 31 December 2018 are set out on pages 109 to 134. The Board has recommended a final dividend of 5.5 pence per Ordinary Share, which amounts to approximately \$28.9m and which, if approved at the 2019 Annual General Meeting ("AGM"), will be paid on 31 May 2019 to shareholders on the register at the close of business on 10 May 2019. In 2018, the Company announced a final dividend for 2017 of 5.25 pence per Ordinary Share amounting to \$23.3m, which was approved by shareholders on 7 June 2018 and paid on 15 June 2018 to shareholders on the register at the close of business on 25 May 2018.

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 of the Company ("Articles") and applicable 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 NEDs' 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 2019 AGM and, being eligible, offer themselves for reappointment. António Monteiro will not offer himself for reappointment and will retire from the Board at the conclusion of the AGM. Relevant details of the Directors, which include their Committee memberships, are set out in the section headed 'Board of Directors' on pages 66 to 67.

SOCO provides liability insurance for its Directors and Officers. The annual cost of the cover is not material to the Group. The 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"). The Company has made such provisions for the benefit of its Directors in relation to certain losses and liabilities that they may incur in the course of acting as Directors of the Company, its subsidiaries or associates, which remain in force at the date of this report.

No member of the Board had a material interest in any contract of significance with the Company or any of its subsidiaries at any time during the year, except for their interests in shares and in share awards and under their service agreements and letters of appointment disclosed in the Directors' Remuneration report commencing on page 82.

Table A: Directors holding office during 2018

Director	Date of contract
Rui de Sousa Chair	12.07.99
Edward Story President and Chief Executive Officer	14.05.97
Jann Brown Managing Director and Chief Financial Officer	06.12.17
Mike Watts Managing Director	06.12.17
Rob Gray* Deputy Chair and Senior Independent Director	09.12.13
António Monteiro*	10.06.09
John Martin* Appointed to the Board 07.06.18	07.06.18
Ettore Contini	11.12.01
Olivier Barbaroux Retired from the Board 07.06.18	12.07.99

* Denotes those determined by the Board to be Independent Non-Executive Directors as described in the Corporate Governance report on pages 68 to 71.

Contributions

The Group's policies prohibit political donations.

AGM

An explanation of the resolutions to be proposed at the 2019 AGM, and the recommendation of Directors in relation to these, is included in the circular to shareholders which is available on the Company's website (www.socointernational.com). Resolutions regarding the authority to issue shares are commented upon in this report under share capital.

The Company's AGM will be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London, E14 5JJ on 23 May 2019 at 12.30pm.

Share capital

Details of changes to share capital in the period are set out in Note 25 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 EBT 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 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 2019 AGM, as is customary, to authorise the Directors to exercise all powers to allot shares and approve a limited disapplication of pre-emption rights. This authority will be sought 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 10%

on the basis that 5% of this 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 2019 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. 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 auditor will be proposed by the Directors at the 2019 AGM. Deloitte also provide non-audit services to the Group, and details of the non-audit services provided in the year to 31 December 2018 are set out in Note 9 to the Financial Statements. All non-audit services are approved by the Audit and Risk Committee. The Directors are currently satisfied, and will continue to ensure, that this range of services is delivered in compliance with the relevant ethical guidance of the accountancy profession and does not impair the judgement or independence of the auditor. Further details of the Group policy on non-audit services are set out in the Audit and Risk Committee Report on pages 76 to 81.

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 auditor in connection with preparing its report, of which the auditor 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 auditor 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 auditor is 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 Responsibility report on pages 44 to 60.

Tax governance

The Company is committed to high standards of tax governance and strives to meet its tax obligations. Tax contributions benefit the communities in which we operate by providing a framework within which the Company can grow. SOCO's Tax Strategy Statement, which the Board has approved, defines the key tax objectives of the Group and is available on the Company's website (www.socointernational.com).

Risk management

The Directors carried out a robust review of the principal risks facing the Group that could threaten the Company's business model, future performance, solvency and liquidity. The Risk Management report on pages 36 to 43 details how we manage and mitigate these risks.

Substantial shareholdings

As at 31 December 2018, 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	Number of Ordinary Shares	% of voting rights ¹	
		31-Dec-18	Nature of holding
Ettore Contini ²	29,000,000	8.74	Direct and indirect
Blue Albacore Business Ltd	27,615,840	8.32	Direct
Globe Deals Ltd	27,444,382	8.27	Direct
Chemsa Ltd	24,336,925	7.33	Direct
Ed Story ³	14,073,747	4.24	Direct and indirect

- As at 31 December 2018, the total voting rights attached to the share capital in issue comprised 331,954,643 Ordinary Shares each of £0.05 nominal value, being 341,076,911 Ordinary Shares in issue, less 9,122,268 Ordinary Shares currently held in treasury.
- 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.
- Ed Story holds 14,073,747 Shares, representing 4.24% of the total voting rights of the Company, of which 12,398,747 (3.74%) 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 2018 and 5 March 2019, 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 88.

Requirements of the UK Listing Rules

Table C of this report provides references to where the information required by Listing Rule 9.8.4R is disclosed within this Annual Report:

Table C: Listing Rules requirements

Listing Rule requirement	
Details of any long term incentive schemes as required by Listing Rule 9.4.3 R.	Directors' Remuneration Report page 82 to 96
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 33 page 132
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 27 page 129

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 2 to 60 including the Financial Review on pages 32 to 35, 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 109 to 134, 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 how these are being managed and mitigated as set out in the Risk Management Report on pages 36 to 43; 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.



Approved by the Board and signed on its behalf.

Jann Brown

Managing Director and Chief Financial Officer
5 March 2019

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Report on the audit of the Financial Statements

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

Opinion

In our opinion:

- + the financial statements of SOCO International plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- + the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- + the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- + the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- + the consolidated income statement;
- + the consolidated statement of comprehensive income;
- + the group and parent company balance sheets;
- + the group and parent company statements of changes in equity;
- + the group and parent company cash flow statements; and
- + the related notes 1 to 35.

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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: <ul style="list-style-type: none"> + Impairment and impairment reversal of producing oil & gas assets
Materiality	The materiality that we used for the group financial statements was \$7 million which was determined on the basis of 1.5% of net assets.
Scoping	We focused primarily on the group's key business unit, being Vietnam, which is accounted for in Vietnam and in London together with the parent company which is also based in London. These locations account for 98% of the group's net assets, 100% of revenue and 96% of the profit before tax. Specified audit procedures were then performed on the remaining 2% of the group's net assets.
Significant changes in our approach	The following changes were made to the key audit matters reported in the prior year: <ul style="list-style-type: none"> + Change in exploration & evaluation accounting policy is no longer a key audit matter as it is not relevant in the current year, following no further changes in accounting policy. + Impairment of intangible exploration & evaluation assets is no longer a key audit matter following the disposal of the material African exploration & evaluation assets in the current year. + Oil & gas reserves and contingent resource estimates is no longer considered a key audit matter following our reassessment of the associated risk. We have instead considered oil & gas reserves and contingent resource estimates as part of the key audit matter relating to the impairment and impairment reversal of producing oil & gas assets.

Conclusions relating to going concern, principal risks and viability statement Going concern

We have reviewed 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 and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

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

Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

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

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- + the disclosures on pages 36 to 43 that describe the principal risks and explain how they are being managed or mitigated;
- + the directors' confirmation on pages 42 to 43 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; or

- + the directors' explanation on pages 42 to 43 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 are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

The matter was 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 this matter.

Impairment and impairment reversal of Producing Oil & Gas Assets

<p>Key audit matter description</p>	<p>The value of property, plant and equipment relating to the group's producing oil and gas assets as at 31 December 2018 was \$506.9 million (2017: \$505.4 million). This is considered a key audit matter 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. Given the importance of producing assets to the group and the judgemental nature of the inputs used in determining the recoverable amounts, we also considered there to be a potential for fraud in this area.</p> <p>Management reviewed both of its producing fields in Vietnam for indicators of impairment and impairment reversal. As a result of the movements in reserves estimates, management identified an indicator of impairment for Te Giac Trang ('TGT') and an indicator of impairment reversal for Ca Ngu Vang ('CNV'). Management has estimated the fair values less costs of disposal of each field and compared these to the balance sheet carrying amount of each field on the balance sheet.</p> <p>For TGT the recoverable value was above the carrying amount and as such, management considered that no impairment was required. For CNV the recoverable amount was greater than the carrying amount and taking into account the key driving factor being the uplift in reserves, management concluded it was appropriate for an impairment reversal of \$37.8 million to be recognised. This impairment reversal represents the reversal in full of the prior impairment recorded on the CNV field.</p> <p>Management's fair value estimates were based on key assumptions which for both fields included:</p> <ul style="list-style-type: none"> + oil and gas prices; + reserves estimates and production profiles; and + the discount rate adopted, which remains consistent with the prior year at 10% for both fields. <p>In relation to reserves estimates management has engaged a third party reservoir engineering expert to provide an independent report on the group's reserves estimates using standard industry reserve estimation methods and definitions for both the CNV and TGT fields. In addition, management has explained the scope of work of the third party expert and their findings 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.</p> <p>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.</p> <p>Further details of the key assumptions used by management in their impairment evaluation are provided in note 15 of the financial statements and in the Report of the Audit & Risk Committee on page 76 to 81.</p>
<p>How the scope of our audit responded to the key audit matter</p>	<p>For both the TGT and CNV assessments, we performed the following procedures;</p> <ul style="list-style-type: none"> + we understood the basis for management's conclusion as to the existence or otherwise of impairment and impairment reversal triggers for TGT and CNV; + we compared oil and gas price assumptions with third party forecasts and publicly available forward curves; + we understood the process used by management to derive their reserves estimates 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 estimates as summarised in the review of operations and checked that these estimates were used consistently throughout the accounting calculations reflected in the financial statements; + we communicated directly with the third party reserves experts to discuss and assess their scope of work, expertise and objectivity; + we used our internal valuation specialists to perform an independent recalculation of the discount rates used for both TGT and CNV; + we assessed management's other assumptions by reference to 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 completed a scenario analysis for TGT and CNV, through which we conducted sensitivities for a range of input assumptions, including oil price and discount rates, and computed what we believed to be a reasonable range of recoverable amounts and then compared the carrying value against this range; and + we considered whether management's disclosures relating to impairment and associated estimation uncertainty were adequate.

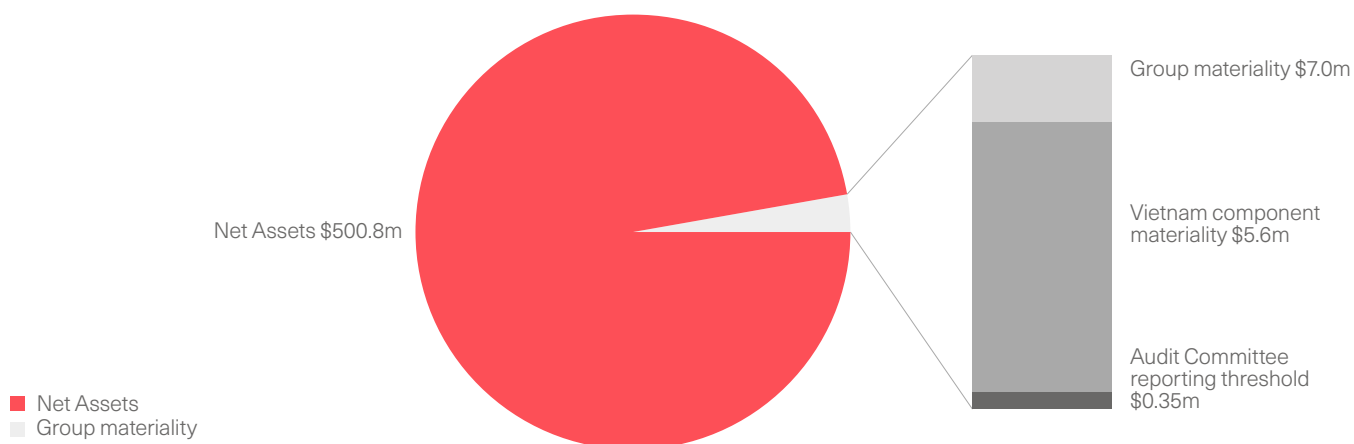
Key observations	<p>We are satisfied that following the identification of impairment indicators on TGT an impairment test was appropriately performed and no impairment was required. We note that the level of available headroom on TGT is low (\$1 million) and have concluded that this is appropriately disclosed in the sensitivity disclosures provided within note 15.</p> <p>In relation to CNV, following the identification of impairment reversal indicators we were satisfied that an impairment reversal test was appropriately performed resulting in an impairment reversal of \$37.8 million.</p> <p>Our work noted that assumptions regarding discount rates were below our assessment of benchmarks but that the oil prices used were also below the middle of the range of pricing that we view as appropriate. Accordingly, as these matters offset, management's combined assumptions in determining their recoverable value were within the reasonable range of assumptions.</p>
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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:

Materiality	<p>Group: \$7 million (2017: \$7.4 million)</p> <p>Parent company: \$6.75 million (2017: \$5.7 million)</p>
Basis for determining materiality	Group and parent company: 1.5% of net assets (2017: 1.5% of net assets)
Rationale for the benchmark applied	<p>In respect of the group, given the continued volatility in oil prices, the uncertain outlook for future oil prices, and a profit of \$3.7 million (after adjusted for exceptional impairment reversals), we do not consider that focusing solely on the group's 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 represent 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.</p> <p>For the parent company, as the primary nature of this holding company is to hold investments in subsidiaries, we have concluded that net assets represents the most appropriate benchmark.</p>



We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of \$350,000 (2017: \$370,000), 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 the group's remaining key business unit, Vietnam, which is accounted for in Vietnam and in London together with the parent company which is also accounted for in London. The Vietnamese component and the parent company, which were subject to full scope audits, accounted for 98 % of the group's net assets, 100% of revenue and 96% of loss before tax. Specified audit procedures have been performed on the remaining 2% of the group's net assets. The Vietnamese component materiality was \$5.6 million. We also audited the consolidation of the group's business units. In both the current and prior year, all of the key audit matters that had the greatest effect on our audit strategy, as described above, were audited directly by the group audit team in London.

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 in person by a senior member of the audit team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- + Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- + Audit & Risk Committee reporting – the section describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk Committee; or

- + Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing material to report, in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- + enquiring of management and the Audit & Risk Committee, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- + discussing among the engagement team including the significant component audit team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:

impairment and impairment reversal of producing assets and management override of controls due to fraud;

- + obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the UK Companies Act 2006 the UK Corporate Governance Code, the Listing Rules of the UK Listing Authority and the relevant tax compliance regulations in the jurisdictions in which the Group operates; and
- + considering any relevant articles published in the media that were brought to our attention and whether they led to any matters that required further investigation through our audit work.

Audit response to risks identified

As a result of performing the above, we identified impairment and impairment reversal of producing assets as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- + reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- + enquiring of management, the Audit & Risk Committee and in-house legal counsel concerning actual and potential litigation and claims or other matters identified;
- + performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- + reading minutes of meetings of those charged with governance and making enquiries regarding any relevant legal correspondence; and
- + in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. Our review of journals and other expenses disclosed in the financial statements actively considered any matters identified through the steps above.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and the significant component audit team, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- + 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 group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or 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 in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit & Risk Committee, we were appointed by the directors on 1 August 2002 to audit the financial statements for the year ending 31 December 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 17 years, covering the years ending 31 December 2002 to 31 December 2018.

Consistency of the audit report with the additional report to the Audit & Risk Committee

Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

Use of our report

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.

Anthony Matthews FCA

Senior statutory auditor

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

5 March 2019

Consolidated Income Statement for the year to 31 December 2018

	Notes	2018 \$ million	2017 \$ million
Continuing operations			
Revenue	5, 6	175.1	156.2
Cost of sales	7	(104.6)	(115.0)
Gross profit		70.5	41.2
Administrative expenses		(28.4)	(18.3)
Reversal of impairment charge	15	37.8	-
Operating profit		79.9	22.9
Investment revenue		2.7	1.4
Finance costs	8	(2.5)	(1.6)
Profit before tax	6	80.1	22.7
Tax	6, 11	(56.0)	(27.7)
Profit/(loss) for the year from continuing operations		24.1	(5.0)
Discontinued operations	34		
Profit/(loss) post-tax for the year from discontinued operations	6	3.6	(152.3)
Profit/(loss) for the year		27.7	(157.3)
Earnings/(loss) per share from continuing operations (cents)	13		
Basic		7.3	(1.5)
Diluted		7.0	(1.5)
Earnings/(loss) per share from continuing and discontinued operations (cents)			
Basic		8.4	(47.7)
Diluted		8.1	(47.7)

Consolidated Statement of Comprehensive Income for the year to 31 December 2018

	Notes	2018 \$ million	2017 \$ million
Profit/(loss) for the year	28	27.7	(157.3)
Items that may be subsequently reclassified to profit or loss:			
Unrealised currency translation differences	28	0.2	(0.4)
Total comprehensive profit/(loss) for the year		27.9	(157.7)

The above consolidated income statements and consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Balance Sheets as at 31 December 2018

	Notes	Group		Company	
		2018 \$ million	2017 \$ million	2018 \$ million	2017 \$ million
Non-current assets					
Intangible assets	14	5.8	3.8	-	-
Property, plant and equipment	15	507.2	505.9	0.3	0.5
Investments	16	-	-	396.7	388.2
Other assets	17	40.6	36.9	-	-
		553.6	546.6	397.0	388.7
Current assets					
Inventories	18	4.1	4.2	-	-
Trade and other receivables	19	19.6	20.7	0.9	0.7
Tax receivables		0.6	0.6	0.6	0.1
Liquid investments	20	-	25.3	-	-
Cash and cash equivalents	20	240.1	112.4	105.9	1.0
		264.4	163.2	107.4	1.8
Total assets		818.0	709.8	504.4	390.5
Current liabilities					
Trade and other payables	21	(22.9)	(23.1)	(9.5)	(9.6)
Tax payable		(5.2)	(6.8)	(0.7)	(0.2)
		(28.1)	(29.9)	(10.2)	(9.8)
Net current assets (liabilities)		236.3	133.3	97.2	(8.0)
Non-current liabilities					
Deferred tax liabilities	22	(141.8)	(132.6)	-	-
Borrowings	23	(95.6)	-	-	-
Long term provisions	24	(51.7)	(52.7)	-	-
		(289.1)	(185.3)	-	-
Total liabilities		(317.2)	(215.2)	(10.2)	(9.8)
Net assets		500.8	494.6	494.2	380.7
Equity					
Share capital	25	27.6	27.6	27.6	27.6
Other reserves	26	246.6	245.9	196.7	195.8
Retained earnings	28	226.6	221.1	269.9	157.3
Total equity		500.8	494.6	494.2	380.7

The above consolidated balance sheet statements should be read in conjunction with the accompanying notes.

The profit for the financial year in the accounts of the Company (Co number 3300821) was \$159.9m inclusive of dividends from subsidiary undertakings (2017: loss of \$176.6m). 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 5 March 2019 and signed on its behalf by:



Rui de Sousa
Chairman



Jann Brown
Director

Statements of Changes in Equity for the year to 31 December 2018

					Group
	Notes	Called up share capital (see Note 25) \$ million	Other reserves (see Note 26) \$ million	Retained earnings (see Note 28) \$ million	Total \$ million
As at 1 January 2017		27.6	243.8	399.8	671.2
Loss for the year		-	-	(157.3)	(157.3)
Unrealised currency translation differences		-	0.4	(0.4)	-
Distributions		-	-	(21.0)	(21.0)
Share-based payments		-	1.7	-	1.7
As at 1 January 2018		27.6	245.9	221.1	494.6
Profit for the year	28	-	-	27.7	27.7
Unrealised currency translation differences	26, 28	-	(1.4)	0.2	(1.2)
Distributions	27, 28	-	-	(23.3)	(23.3)
Share-based payments	26	-	3.0	-	3.0
Transfer relating to share-based payments	26	-	(0.9)	0.9	-
As at 31 December 2018		27.6	246.6	226.6	500.8

					Company
	Notes	Called up share capital (see Note 25) \$ million	Other reserves (see Note 26) \$ million	Retained earnings (see Note 28) \$ million	Total \$ million
As at 1 January 2017		27.6	194.5	303.9	526.0
Loss for the year		-	-	(176.6)	(176.6)
Unrealised currency translation differences		-	0.4	51.0	51.4
Distributions		-	-	(21.0)	(21.0)
Share-based payments		-	1.7	-	1.7
Transfer relating to share-based payments		-	(0.8)	-	(0.8)
As at 1 January 2018		27.6	195.8	157.3	380.7
Profit for the year	12, 28	-	-	159.9	159.9
Unrealised currency translation differences	26, 28	-	(1.4)	(24.8)	(26.2)
Distributions	27, 28	-	-	(23.3)	(23.3)
Share-based payments	26	-	3.0	-	3.0
Transfer relating to share-based payments	26	-	(0.7)	0.8	0.1
As at 31 December 2018		27.6	196.7	269.9	494.2

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statements for the year to 31 December 2018

	Notes	Group		Company	
		2018 \$ million	2017 \$ million	2018 \$ million	2017 \$ million
Net cash from (used in) continuing operating activities	30	55.9	45.0	(23.2)	(12.9)
Net cash used in discontinued operating activities	30	(1.7)	–	–	–
Net cash from (used in) operating activities	30	54.2	45.0	(23.2)	(12.9)
Investing activities					
Purchase of intangible assets		(2.4)	(1.3)	–	–
Purchase of property, plant and equipment		(16.6)	(20.8)	(0.1)	(0.1)
Decrease (increase) in liquid investments ¹		25.3	(10.0)	–	–
Payment to abandonment fund	17	(3.4)	(3.1)	–	–
Deferred proceeds on disposal of Mongolia assets		–	42.7	–	–
Investment in subsidiary undertakings		–	–	(33.4)	(3.1)
Dividends received from subsidiary undertakings		–	–	187.0	37.6
Net cash from continuing investing activities		2.9	7.5	153.5	34.4
Net cash from (used in) discontinued investing activities	34	0.5	(4.1)	–	–
Net cash from investing activities		3.4	3.4	153.5	34.4
Financing activities					
Net proceeds from borrowings	23	95.6	–	–	–
Proceeds from exercise of share options	29	–	(0.3)	(1.2)	(0.3)
Purchase of own shares into treasury		(1.3)	–	–	–
Dividend paid to company shareholders	27	(23.3)	(21.0)	(23.3)	(21.0)
Net cash from (used in) continuing financing activities		71.0	(21.3)	(24.5)	(21.3)
Net cash from (used in) financing activities		71.0	(21.3)	(24.5)	(21.3)
Net increase in cash and cash equivalents		128.6	27.1	105.8	0.2
Cash and cash equivalents at beginning of year		112.4	85.0	1.0	0.5
Effect of foreign exchange rate changes		(0.9)	0.3	(0.9)	0.3
Cash and cash equivalents at end of year 1	20	240.1	112.4	105.9	1.0

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 2017 was \$137.7m. No liquid investments were held as of 31 December 2018.

The above consolidated cash flow statements should be read in conjunction with the accompanying notes.

1 General information

SOCO International plc is a company limited by shares and incorporated in England and Wales 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 Operations Review and Financial Review on pages 24 to 31 and 32 to 35, respectively. SOCO International plc is the ultimate parent company of the Group and except where otherwise indicated the following accounting policies apply to both the Group and the Company.

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 ('EU') 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 100 and in the Financial Review on page 35.

The Financial Statements have been prepared under the historical cost basis, except for the valuation of hydrocarbon inventories 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 remained GBP although its Financial Statements are presented in US dollars to be consistent with the Group. The principal accounting policies adopted are set out below.

Where applicable, comparatives have been adjusted to present them on the same basis as current period figure.

(b) New and amended standards adopted by the group

SOCO Adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on 1 January 2018. These pronouncements have been endorsed by the EU.

IFRS 9 Financial Instruments

On 1 January 2018, SOCO adopted IFRS 9 'Financial Instruments' which replaced IAS 39 'Financial Instruments: Recognition and Measurement' and includes requirements for classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 has had immaterial quantitative effect on the consolidated financial statements of the Group and the separate financial statements of SOCO International Plc.

IFRS 15 Revenue from Contracts with Customers

On 1 January 2018, SOCO adopted IFRS 15 'Revenue from Contracts with Customers', which replaced IAS 18 'Revenue'.

The adoption of IFRS 15 has had no material quantitative effect on the consolidated financial statements of the Group and the separate financial statements of SOCO International Plc.

Disclosure of disaggregated revenue information consistent with the requirement included in IFRS 15 has not had an impact on the information presented in Note 5.

(c) New standards and interpretations not yet adopted

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 16 Leases

In January 2016, the IASB issued IFRS 16 'Leases' which the Group will adopt for periods beginning on or after 1 January 2019. The adoption of IFRS 16 will impact both the measurement and disclosures of leases over a value threshold and with terms longer than one year. The lease expense recognition pattern for lessees will generally be accelerated. Additional lease liabilities and right of use assets are expected to be recorded. The cash flow statement will be affected as payments for the principal portion of the lease liability will be presented within financing, not operating, activities.

2 Significant accounting policies continued

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group does not currently intend to bring short term leases (12 months or fewer to run as at 1 January 2019, including reasonably certain options to extend) or low value leases on balance sheet. Costs for these items will continue to be expensed directly to the income statement.

The critical judgemental matter for the Group with regard to the application of IFRS 16 is the treatment of its share in the bare boat charter of the FPSO leased by HLJOC. The FPSO facilities are also shared with a third party. We note that there are ongoing IFRIC discussions on IFRS 11 'Joint Arrangements' that may have a bearing on the Group's future recognition of lease costs under IFRS 16. With those discussions ongoing, we are currently taking the conservative view that the Group should disclose its share of the FPSO as a lease and will revisit the issue at the time of our 2019 interim reporting.

Accordingly, as at 1 January 2019, the Group reports that it has non-cancellable operating lease commitments of \$55.9m, see Note 31. \$54.0m of which relates to the FPSO facilities, and the remainder to office properties.

For the lease commitments the Group expects to recognise right-of use assets of approximately \$47.3m on 1 January 2019 and a matching lease liability. Overall net current assets will be \$7.3m lower due to the presentation of a portion of the liability as a current liability.

The Group expects that the net profit after tax will decrease by approximately \$0.8m for 2019 as a result of adopting the new rules.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods nor on foreseeable future transactions.

SOCO has not early adopted any amendments, standards or interpretations that have been issued but are not yet effective.

(d) 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.

(e) 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.

(f) Interests in Joint Arrangements

A joint arrangement 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.

2 Significant accounting policies continued

(g) Revenue

Revenue represents the fair value of the Group's share of oil and gas sold during the year on a liftings basis and is recognised when the Group satisfies a performance obligation by transferring oil and gas to a customer. In accordance with the Group's sales agreements for oil and gas, the title to oil and gas typically transfers to a customer at the same time as the customer takes physical possession of the oil or gas. Typically, at this point in time, the performance obligations of the Group are fully satisfied.

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

(h) Intangible and Tangible non-current assets

Oil and gas exploration, evaluation and development expenditure

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and direct administration costs are initially capitalised as intangible non-current assets in cost centres by well (most typically), field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities.

These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indicators of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy.

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. The impairment indicators in IFRS 6 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 nor planned;
- + Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue 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.

2 Significant accounting policies continued

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.

(i) Changes in estimates

The effects of changes in estimates on the unit of production calculations are accounted for prospectively, from the date of adoption of the revised estimates, over the estimated remaining proven and probable reserves.

(j) Inventories

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

Physical inventories of hydrocarbons are valued at net realisable value in line with well established industry practice. Underlifts and overlifts are valued at market value and are included in accrued income and prepayments, and accruals and deferred income, respectively. Changes in hydrocarbon inventories, underlifts and overlifts are adjusted through cost of sales.

(k) Leases

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

(l) Share-based payments

Equity-settled awards under share-based incentive plans are measured at fair value at the date of grant and expensed on a straight line basis over the performance period along with a corresponding increase in equity. Fair value is measured using an option pricing model taking into consideration management's best estimate of the expected life of the option and the estimated number of shares that will eventually vest.

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.

(m) Taxation

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

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

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

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

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

2 Significant accounting policies continued

(n) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Up to the date of this balance sheet, the Group had not utilised 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 19, 20, 21, and 23.

Financial asset at fair value through profit or loss

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

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less loss allowance, when required.

Trade payables

Trade payables are generally stated at amortised costs using the effective interest rate.

Bank borrowing

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including any direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Equity instruments

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

(o) Foreign currencies

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

For the purpose of presenting consolidated financial statements the results of entities denominated in currencies other than US dollars are translated at the 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.

(p) Pension costs

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

3 Financial risk management

The Board reviews and agrees policies for managing financial risks that may affect the Group. In certain cases the Board delegates responsibility for such reviews and policy setting to the Audit and Risk Committee. The principal financial risks affecting the Group are discussed in the Risk Management Report on pages 36 to 43.

4 Critical judgements and accounting estimates

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

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

Oil and gas assets

Note 2(h) describes the judgements necessary to implement the Group's policy with respect to the carrying value of intangible exploration and evaluation assets.

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

(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(h) sets out the Group's accounting policy on DD&A. Proven and probable reserves are estimated using standard recognised evaluation techniques and are disclosed on page 137. 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 Operations Review on page 28, the TGT and CNV proved and probable reserves estimates have been revised based on ongoing work of ERCE and audited by our Reserves Auditors, RISC Advisory Pty Ltd. 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 15.

Notes to the Consolidated Financial Statements

5 Total revenue

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

	2018 \$ million	2017 \$ million
Oil and gas sales (see Note 6)	175.1	156.2
Investment revenue	2.7	1.4
	177.8	157.6

6 Segment information

The Group has one principal business activity being oil and gas exploration and production. The Group's continuing operations are located in South East Asia. Africa has been classified as a discontinued operation for all years shown, as the Group disposed of all of its interests in that geographical area. There are no inter-segment sales. South East Asia and Africa form the basis on which the Group reports its segment information.

	SE Asia \$ million	Africa ² \$ million	Unallocated \$ million	2018 Group \$ million
Oil and gas sales (see Note 5)	175.1	-	-	175.1
Depreciation, depletion and amortisation (see Note 7)	51.8	-	0.3	52.1
Reversal of impairment charge (see Note 15)	37.8	-	-	37.8
Profit (loss) before tax from continuing operations ¹	107.7	-	(27.6)	80.1
Profit post-tax from discontinued operations	-	3.6	-	3.6
Tax charge (see Note 11)	56.0	-	-	56.0

	SE Asia \$ million	Africa ³ \$ million	Unallocated \$ million	2017 Group \$ million
Oil and gas sales (see Note 5)	156.2	-	-	156.2
Depreciation, depletion and amortisation (see Note 7)	56.5	-	0.3	56.8
Reversal of impairment charge	-	-	-	-
Profit (loss) before tax from continuing operations ¹	39.9	-	(17.2)	22.7
Loss post-tax from discontinued operations	-	(152.3)	-	(152.3)
Tax charge (see Note 11)	27.7	-	-	27.7

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 As of December 2018, Africa operations had been disposed.

³ In December 2017, an impairment indicator of IFRS 6 was triggered following the Group's announcement that no substantive expenditure for the Africa assets was either budgeted or planned in the near future. The remaining costs capitalised associated with exploration areas in Africa of \$152.3m was therefore fully impaired in the income statement.

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 \$129.1m and \$35.0m which arose from the Group's two largest customers who contributed more than 10% to the Group's oil and gas revenue (2017: \$102.9m and \$21.1m from the Group's two largest customers).

Notes to the Consolidated Financial Statements

continued

6 Segment information continued

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.

	2018 \$ million	2017 \$ million
Vietnam	131.8	105.7
Thailand	26.1	36.3
Other	17.2	14.2
	175.1	156.2

Non-current assets

	2018 \$ million	2017 \$ million
United Kingdom	0.2	0.4
Vietnam	512.8	509.3
	513.0	509.7

Excludes other assets

7 Cost of sales

	2018 \$ million	2017 \$ million
Depreciation, depletion and amortisation	51.8	56.5
Production based taxes	15.1	13.6
Production operating costs	37.6	43.4
Inventories	0.1	1.5
	104.6	115.0

8 Finance costs

	2018 \$ million	2017 \$ million
Unwinding of discount on provisions (see Note 24)	1.4	1.6
Interest payable and similar fees	0.6	–
Net foreign exchange losses	0.5	–
	2.5	1.6

In 2018 \$1.4m relates to the unwinding of discount on the provisions for decommissioning (2017: \$1.6m). 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 12 – 13 years) in the removal and decommissioning of the facilities currently in place (see Note 24).

9 Auditor's remuneration

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

	2018 \$000s	2017 \$000s
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	188	190
Fees payable to the Company's auditor and their associates for other services to the Group:		
Audit of the Company's subsidiaries	8	25
Total audit fees	196	215
Audit related assurance services – half year review		
Taxation compliance services	–	–
Corporate finance services and other assurance services	583	540
Other services	–	17
Total non-audit fees	651	611

The non-audit fees during 2018 included the half year review, due diligence related corporate finance services and other assurance services associated primarily with reporting accountant services on two transactions that took place during 2018. 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 2017, other assurance service included the half year review, regulatory advice, other advice to management and corporate finance services on a transaction proposed in 2017.

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 76 to 81.

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.

10 Staff costs

The average monthly number of employees of the Group including Executive Directors was 26 (2017: 19), of which 23 (2017: 16) were administrative personnel and 3 (2017: 3) were operations personnel. Their aggregate remuneration comprised:

	2018 \$ million	Group 2017 \$ million
Wages and salaries	9.1	8.5
Social security costs	1.7	0.5
Share-based payment expense (see Note 29)	2.0	2.5
Other pension costs under money purchase schemes	0.9	0.7
Other benefits	0.8	1.1
	14.5	13.3

In accordance with the Group's accounting policy \$1.6m of the Group's staff costs above have been capitalised (2017: \$1.5m) all of which related to our Vietnam assets.

11 Tax

	2018 \$ million	2017 \$ million
Current tax	46.8	42.1
Deferred tax (see Note 22)	9.2	(14.4)
	56.0	27.7

The Group's corporation tax is calculated at 50% (2017: 50%) of the estimated assessable profit for the year in Vietnam. During 2018 and 2017 both current and deferred taxation have arisen in overseas jurisdictions only.

Notes to the Consolidated Financial Statements

continued

11 Tax continued

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

	2018 \$ million	2017 \$ million
Profit / (Loss) before tax	83.7	(129.6)
Profit / (Loss) before tax at 50% (2017: 50%)	41.9	(64.8)
Effects of:		
Non-deductible expenses	4.5	10.1
Tax losses not recognised	8.5	6.2
Non-deductible exploration costs written off	1.1	76.2
Tax charge for the year	56.0	27.7

The prevailing tax rate in Vietnam, where 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, net of the effect of the CNV reversal of impairment of \$5.0m, primarily relate to Vietnam DD&A charges for costs previously capitalised, which are non-deductible for Vietnamese tax purposes of \$6.7m (2017: \$6.9m). A further \$2.8m (2017: \$3.2m) 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.

The effect of non-deductible exploration costs written off of \$76.2m in 2017 relates to the impairment of exploration assets in Africa.

12 Profit attributable to SOCO International plc

The profit for the financial year in the accounts of the Company was \$159.9m inclusive of dividends from subsidiary undertakings (2017: loss of \$176.6m). 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.

13 Earnings per share

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

	2018 \$ million	2017 \$ million
Profit/(loss) for the purposes of basic profit/(loss) per share	27.7	(157.3)
Effect of dilutive potential ordinary shares – Cash settled share awards and options	(0.7)	(0.7)
Profit/(loss) for the purposes of diluted profit/(loss) per share	27.0	(158.0)

	2018 \$ million	2017 \$ million
Profit/(loss) from continuing operations for the purposes of basic profit/(loss) per share	24.1	(5.0)
Effect of dilutive potential ordinary shares – Cash settled share awards and options	(0.7)	(0.7)
Profit/(loss) from continuing operations for the purposes of diluted profit/(loss) per share	23.4	(5.7)

	2018 \$ million	2017 \$ million
Weighted average number of ordinary shares	329.8	329.8
Effect of dilutive potential ordinary shares – Share awards and options	4.6	3.6
Weighted average number of ordinary shares for the purpose of diluted loss per share	334.4	333.4

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 2018 or the prior year.

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14 Intangible assets

	Group	
	2018 \$ million	2017 \$ million
Exploration and evaluation expenditure		
As at 1 January	3.8	150.6
Additions	2.0	5.5
Exploration expense	-	(152.3)
As at 31 December	5.8	3.8

Intangible assets at 2018 year-end comprise the Group's exploration and evaluation project which is pending determination and relate to Blocks 125&126 in Vietnam. The outcome of ongoing exploration, and therefore whether the carrying value of E&E assets will ultimately be recovered, is inherently uncertain. 2017 additions were related to Africa, \$4.0m, and \$1.5m to Vietnam.

In 2017, the amount of \$152.3m was written off to the income statement as one of the impairment indicators specified in paragraphs 18 to 20 of IFRS 6 (see Note 2(h)) was triggered for Africa licences Marine XI, Congo (Brazzaville) and Cabinda North, Angola as no substantive expenditure on further exploration was budgeted or planned for those assets, as they were no longer a core priority for the Group, and have subsequently been disposed in 2018.

15 Property, plant and equipment

	Group			Company
	Oil and gas properties \$ million	Other \$ million	Total \$ million	Other \$ million
Cost				
As at 1 January 2017	908.8	1.8	910.6	1.7
Additions	20.1	0.1	20.2	0.1
Disposals	(11.8)	-	(11.8)	-
Currency exchange	-	0.2	0.2	0.2
As at 1 January 2018	917.1	2.1	919.2	2.0
Additions	15.5	0.1	15.6	0.1
Currency exchange	-	(0.1)	(0.1)	(0.1)
As at 31 December 2018	932.6	2.1	934.7	2.0
Depreciation				
As at 1 January 2017	355.2	1.2	356.4	1.1
Charge for the year	56.5	0.3	56.8	0.3
Currency exchange	-	0.1	0.1	0.1
As at 1 January 2018	411.7	1.6	413.3	1.5
Charge for the year	51.8	0.3	52.1	0.3
Reversal of impairment charge	(37.8)	-	(37.8)	-
Currency exchange	-	(0.1)	(0.1)	(0.1)
As at 31 December 2018	425.7	1.8	427.5	1.7
Carrying amount				
As at 31 December 2018	506.9	0.3	507.2	0.3
As at 31 December 2017	505.4	0.5	505.9	0.5

As discussed in the Operations Review on pages 24 to 31, the SOCO working interest in proved and probable oil and gas reserves, audited by RISC Advisory Pty Ltd, show a decrease of 4.8 MMBOE to 2P reserves numbers for TGT and an increase of 2.4 MMBOE to 2P reserves numbers for CNV.

This downward revision 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 net book value is supported by the fair value derived from a discounted cash flow valuation of the 2P production profile. The key assumptions to which the fair value measurement is most sensitive are oil price, discount rate and 2P reserves (2017: oil price, discount rate and 2P reserves). In 2018, the post-tax nominal discount rate has been maintained at 10% as there has been no change in the technical confidence in the reservoir. As at 31 December 2018, the fair value of the asset is estimated based on a post-tax nominal discount rate of 10% (2017: 10%) and an oil price of \$63.8/bbl in 2019, \$66.3/bbl in 2020, plus inflation of 2.0% thereafter (2017: an oil price reflecting a gradual increase over five years from \$61/bbl in 2018 to \$72 in 2022 plus inflation of 2% thereafter).

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Any negative movement to the key assumptions (oil price, discount rate and 2P reserves) used when determining fair value less costs of disposal method for TGT could result in a future impairment of the asset. Details of the uncertainties relating to the 2P reserves are provided in Note 4 (b).

In 2014 an impairment of the Group's CNV asset of \$60.5m and associated \$22.3m deferred tax was charged to the Income Statement. The 2018 upward revision in the 2P reserves of this asset has resulted in a reversal of the impairment of \$37.8m in the period and \$13.9m reversal of the tax asset. 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.

Testing of sensitivity cases indicated that the \$5/bbl reduction in the long term oil price used when determining the fair value less costs of disposal method would result in a post-tax impairment of the TGT asset of \$27.0m and a reduction in the post-tax reversal of impairment of \$5.0m of the CNV asset and a 1% increase in the discount rate would result in a post-tax impairment of \$7.0m for the TGT asset and a reduction in the post-tax reversal of impairment of \$0.6m of the CNV asset.

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

16 Fixed asset investments and joint arrangements

Group Investments

The Company and the Group had investments in the following subsidiary undertakings as at 31 December 2018 which affected the profits or net assets of the Group, all of which (unless indicated) 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	2,6	e
SOCO Vietnam Ltd	Cayman Islands	Vietnam	Oil and gas development and production	100	2,5	d
SOCO Exploration Limited	Jersey	–	Investment holding	100	1,4	a
SOCO Finance (Jersey) Limited	Jersey	–	Group financing	100	1	a
SOCO SEA Limited	Jersey	–	Investment holding	100	1	a
SOCO Exploration (Vietnam) Limited	Cayman Islands	Vietnam	Oil and gas exploration	100	2,7	d
SOCO DRC Limited	Cayman Islands	–	–	85	2,3,4	d
SOCO Exploration & Production DRC SARL	DRC	–	–	85	2,3,4	f
OPECO, Inc	USA	–	Investment holding	100	2,6	c
Pharos Energy Limited	UK	–	–	100	1	b
SOCO Management Services, Inc.	USA	USA	Management services	100	2	c

Footnotes:

Group investments

¹ Investments held directly by SOCO International plc.

² Investments held indirectly by SOCO International plc.

³ Dormant pending voluntary dissolution.

⁴ SOCO Exploration Limited is the 85% shareholder of SOCO DRC Limited, which wholly owns 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 33).

Joint arrangements

⁵ 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.

⁶ 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.

⁷ SOCO Exploration (Vietnam) Limited holds a 70% working interest in Blocks 125 & 126 and is the Operator. The operating office is registered in Vietnam. The main activity is exploration.

Registered addresses:

^(a) 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands

^(b) 48 Dover Street, London, W1S 4FF, United Kingdom

^(c) Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA

^(d) 196 Raleigh Quay, Governors Harbour, P.O. Box 1968, Grand Cayman, Cayman Islands, KY1 1104

^(e) 3/F BCI House, P.O. Box 208, Avarua, Rarotonga, Cook Islands

^(f) Sutter & Pearce (DRC), Av Democratie no. 7476/1, Commune de la Combe, Kinshasa, DRC

Divestments:

The following subsidiary undertakings were sold during the year:

- SOCO Congo Limited *
- SOCO Exploration & Production Congo SA *
- SOCO Cabinda Limited

* SOCO Exploration Limited was an 85% shareholder of SOCO Congo Limited, which owned 100% of SOCO Exploration & Production Congo SA. The 15% non-controlling interest was held by the Quantic group of companies, of which Rui de Sousa is a 50% beneficial interest holder (see note 33).

The following subsidiaries, being dormant, entered into voluntary dissolution prior to 31 December 2018:

- SOCO International Operations LLC
- SOCO Vietnam Acquisition Limited
- SOCO Vietnam (Holdings) Limited
- SOCO Cuu Long Limited
- SOCO Exploration (Asia) Limited
- Torobex Limited
- SOCO Congo BEX Limited
- SOCO MED Limited
- SOCO North Africa Limited

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

In 2018 the increase in investment value of \$8.5m was due mainly to investment in subsidiaries of \$33.4m offset by foreign exchange loss of \$24.9m.

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17 Other non-current assets

Other non-current assets 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. The Group doesn't expect to receive cash or another financial asset from PetroVietnam. During 2018, the Group has contributed \$3.4m (2017: \$3.1m). As at 31 December 2018 the Group's total contribution to the funds was \$40.3m (2017: \$36.9m). The remainder in other assets, \$0.3m, was the non-current part of the fair value of the consideration for the sale of Congo (see Note 34).

18 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).

19 Trade and other receivables

	Group		Company	
	2018 \$ million	2017 \$ million	2018 \$ million	2017 \$ million
Amounts falling due within one year				
Trade receivables	16.8	17.5	-	-
Other receivables	1.5	0.8	-	-
Prepayments and accrued income	1.3	2.4	0.9	0.7
	19.6	20.7	0.9	0.7

There are no amounts overdue or allowances for doubtful debts in respect of trade or other receivables (2017: nil). There is no material difference between the carrying amount of trade and other receivables and their fair value.

Included in trade and other receivables arising from South East Asia at 31 December 2018 are trade receivables of \$8m and \$7.8m which arose from the Group's two largest customers (2017: \$12.9m and \$4.0m from the Group's two largest customers).

Trade and other receivables are financial assets and measured at amortised cost. The Group applies the IFRS 9 simplified approach to measuring expected credit losses ('ECL') which uses a lifetime expected loss allowance for all trade receivables. As mentioned above, 94% of our trade receivables are concentrated with two largest customers, one of them being a subsidiary of a government regulated entity and the other being a major global oil & gas company. As of 31 December 2018, we have concluded that there is immaterial quantitative effect for the ECL.

20 Cash and cash equivalents and liquid investments

As at 31 December 2018, cash and cash equivalents of \$240.1m (2017: \$112.4m), 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. Of this balance, \$157.3m (2017: \$90.4m) were in Money Market Funds that are valued at quoted prices of the funds in the active markets for the financial instruments. The Money Market Funds were recorded at fair value at the year end.

As at 31 December 2017, liquid investments of \$25.3m comprised short term liquid investments of between three to six months maturity while cash and cash equivalents comprised 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 2017 was \$137.7m. During 2018, the \$25.3m were transferred from liquid investments to cash accounts which are available on demand and hence are now classified as cash and cash equivalents.

21 Trade and other payables

	Group		Company	
	2018 \$ million	2017 \$ million	2018 \$ million	2017 \$ million
Trade payables	1.0	1.5	–	–
Other payables	8.1	7.4	1.6	3.9
Accruals and deferred income	13.2	13.3	7.9	5.7
Liability for onerous commitments	0.6	0.9	–	–
	22.9	23.1	9.5	9.6

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 36 to 43.

22 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 2017	144.1	2.9	147.0
Credit to income	(13.6)	(0.8)	(14.4)
As at 1 January 2018	130.5	2.1	132.6
Charge to income (see Note 11)	9.2	–	9.2
As at 31 December 2018	139.7	2.1	141.8

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 \$151.1m (2017: \$134.5m). The gross losses have no expiry date.

23 Borrowings

	Group	
	2018 \$ million	2017 \$ million
Long-term debt:		
Fair Value of Bank loans	100.0	–
Less unamortised issue costs and debt arrangements fees	(4.4)	–
Carrying value of total debt	95.6	–

On September 2018, the Group signed a new \$125m Reserve Based Lending Facility ('RBL') secured against the Group's producing assets in Vietnam. In addition to the committed \$125m, a further \$125m is available on an uncommitted accordion basis. The RBL has a five year term and matures in September 2023. On 17 December 2018 \$100m was drawn down against this facility and the proceeds of which are recorded as cash and cash equivalents as at 31 December 2018 in readiness of funding the Merlon acquisition.

Notes to the Consolidated Financial Statements

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24 Long term provisions

Decommissioning

	Group	
	2018 \$ million	2017 \$ million
As at 1 January	52.7	62.9
New provisions and changes in estimates	(2.4)	(11.8)
Unwinding of discount (see Note 8)	1.4	1.6
	51.7	52.7

The provision for decommissioning is based on the net present value of the Group's share of the expenditure which may be incurred at the end of the producing life of each field (currently estimated to be 12-13 years) in the removal and decommissioning of the facilities currently in place. The provision is calculated using an inflation rate of 2.0% (2017: 2.5%) and a discount rate of 3% (2017: 3%).

25 Share capital

Ordinary Shares of £0.05 each

	2018 Shares	2017 Shares	2018 \$ million	2017 \$ million
Issued and fully paid	341,076,911	341,076,911	27.6	27.6

As at 31 December 2018 authorised share capital comprised 600 million (2017: 600 million) ordinary shares of £0.05 each with a total nominal value of £30m (2017: £30m). The Company did not issue any new ordinary shares during 2018 (2017: nil).

26 Other reserves

	Group				
	Capital redemption reserve \$ million	Merger reserve \$ million	Own shares \$ million	Share based payments \$ million	Total \$ million
As at 1 January 2017	100.3	188.7	(47.9)	2.7	243.8
Currency exchange translation differences	-	-	-	0.4	0.4
Share-based payments	-	-	-	1.7	1.7
Transfer relating to share-based payments	-	-	0.8	(0.8)	-
As at 1 January 2018	100.3	188.7	(47.1)	4.0	245.9
Currency exchange translation differences	-	-	-	(1.4)	(1.4)
Share-based payments	-	-	-	3.0	3.0
Transfer relating to share-based payments	-	-	-	(0.9)	(0.9)
As at 31 December 2018	100.3	188.7	(47.1)	4.7	246.6

	Company				
	Capital redemption reserve \$ million	Merger reserve \$ million	Own shares \$ million	Share based payments \$ million	Total \$ million
As at 1 January 2017	100.3	131.8	(40.3)	2.7	194.5
Currency exchange translation differences	-	-	-	0.4	0.4
Share-based payments	-	-	-	1.7	1.7
Transfer relating to share-based payments	-	-	-	(0.8)	(0.8)
As at 1 January 2018	100.3	131.8	(40.3)	4.0	195.8
Currency exchange translation differences	-	-	-	(1.4)	(1.4)
Share-based payments	-	-	-	3.0	3.0
Transfer relating to share-based payments	-	-	-	(0.7)	(0.7)
As at 31 December 2018	100.3	131.8	(40.3)	4.9	196.7

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 2018 was 9,122,268 (2017: 9,122,268) and 2,897,094 (2017: 2,114,596), respectively. The market price of the Shares at 31 December 2018 was £0.6890 (2017: £1.1150).

The Trust, a discretionary trust, holds Shares for the purpose of satisfying employee share schemes, details of which are set out in Note 29 and in the Directors' Remuneration Report on pages 82 to 96. During the year, the Trust bought 1,139,861 shares and 357,363 were exercised.

The trustees purchase Shares in the open market which are recognised by the Company within investments and classified as other reserves by the Group as described above. When award conditions are met, an unconditional transfer of Shares is made out of the Trust to Plan participants. The Group has an obligation to make regular contributions to the Trust to enable it to meet its financing costs. Rights to dividends on the Shares held by the Trust have been waived by the trustees.

27 Distribution to shareholders

In June 2018, the Company paid dividends to shareholders of \$23.3m (2017: \$21.0m) or 5.25 pence per Ordinary Share (2017: 5 pence per Ordinary Share).

The SOCO EBT, which is consolidated within the Group, waived its rights to receive a dividend in 2018 and 2017.

The Board is recommending a final dividend of 5.5 pence per Ordinary Share, which amounts to approximately \$28.9m, assuming that the SOCO EBT waives its entitlement to dividends in respect of its holding of Ordinary Shares. 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, if approved by shareholders, will be paid on 31 May 2019 to shareholders on the register of members at the close of business on 10 May 2019 (the "Dividend Record Date". If the acquisition of Merlon El Fayum Petroleum Company (the "MPEFC Acquisition") has completed by the Dividend Record Date, the proposed dividend will be paid on the 65,561,041 consideration shares in the normal manner. If the MPEFC Acquisition has not completed by the Dividend Record Date, the payment of the proposed dividend will be treated as an adjustment event under the sale and purchase agreement relating to the MPEFC Acquisition, resulting in an increase in the cash consideration payable by the Company by such amount as is required to put the seller in the same economic position as it would have been had the dividend not been paid.

28 Retained earnings

	Group		
	Retained profit \$ million	Unrealised currency translation differences \$ million	Total \$ million
As at 1 January 2017	394.5	5.3	399.8
Loss for the year	(157.3)	-	(157.3)
Unrealised currency translation differences	-	(0.4)	(0.4)
Distributions	(21.0)	-	(21.0)
As at 1 January 2018	216.2	4.9	221.1
Profit for the year	27.7	-	27.7
Unrealised currency translation differences	-	0.2	0.2
Transfer relating to share based payments	0.9	-	0.9
Distributions (see Note 27)	(23.3)	-	(23.3)
As at 31 December 2018	221.5	5.1	226.6

	Company		
	Retained profit \$ million	Unrealised currency translation differences \$ million	Total \$ million
As at 1 January 2017	553.7	(249.8)	303.9
Loss for the year	(176.6)	-	(176.6)
Unrealised currency translation differences	-	51.0	51.0
Distributions	(21.0)	-	(21.0)
As at 1 January 2018	356.1	(198.8)	157.3
Profit for the year	159.9	-	159.9
Unrealised currency translation differences	-	(24.8)	(24.8)
Share-based payments	0.8	-	0.8
Distributions (see Note 27)	(23.3)	-	(23.3)
As at 31 December 2018	493.5	(223.6)	269.9

29 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 82 to 96. The Group recognised total expenses of \$2.0m (2017: \$2.5m) 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 part cash and part equity-settled through a transfer at nil consideration of the Company's ordinary shares (Shares). No awards were exercised during 2018. Awards exercised during 2017 of 329,394 Shares were part-equity settled by transferring at nil consideration 185,171 ordinary shares (Shares) held by the Trust. The remaining 144,223 awards exercised in 2017, being the number of Shares that might otherwise be sold in the market, were satisfied by cash settlement of the participants' tax liabilities of \$0.2m. 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. Details of awards outstanding during the year are as follows:

	2018 No. of share awards	2017 No. of share awards
As at 1 January	8,742,295	4,121,158
Adjustments ¹	553,501	321,933
Granted	4,983,108	5,008,500
Exercised	-	(329,394)
Forfeited during the year	(1,551,230)	(379,902)
As at 31 December	12,727,674	8,742,295
Exercisable as at 31 December	-	-

¹ In accordance with Share Scheme rules, adjustments were made for the payment of dividends in 2018 and 2017.

Awards outstanding at the end of the year have a weighted average remaining contractual life of 1.4 (2017: 1.5) years. The weighted average market price and estimated fair value of the 2018 grants (at grant date) were £0.96 and £0.53, respectively.

The fair value of the LTIPs granted during 2018 has been provided by FIT Remuneration Consultants, which represents the Company's performance against the targets using a Monte Carlo Model. The future vesting proportion in 2018 was 55%.

Previously, the fair value of awards at date of grant had been estimated using a binomial option pricing model, based on the market price at date of grant and a nil exercise price. The future vesting proportion for 2017 of 40% 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 additionally 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.

29 Incentive plans continued

	2018		2017	
	No. of share awards	Weighted average exercise price £	No. of share awards	Weighted average exercise price £
As at 1 January	2,836,050	0.46	3,140,390	0.59
Adjustments ¹	37,484	–	77,370	–
Granted	791,432	–	100,000	–
Forfeited during the year	(7,914)	1.05	(174,893)	3.07
Expired	–	–	–	–
Exercised	(1,249,177)	–	(306,817)	–
As at 31 December	2,407,875	0.54	2,836,050	0.46
Exercisable as at 31 December	867,836	1.29	866,241	1.30

¹ In accordance with Share Scheme rules, adjustments were made for the payment of dividends in 2018 and 2017.

The weighted average market price at the date of exercise during 2018 was £0.96 (2017: £1.40). Awards outstanding at the end of the year have a weighted average remaining contractual life of 6.3 (2017: 6.4) years. The weighted average market price and estimated fair value of the discretionary share option scheme 2018 grants (at grant date) were £0.995 and £0.30, respectively. The weighted average market price and estimated fair value of the deferred share bonus scheme 2018 grants (at grant date) was £0.995 (2017: £1.53).

The fair value of awards granted during 2018 has been provided by FIT Remuneration Consultants, which represents the Company's performance against the targets using a Monte Carlo Model. Previously, 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 and the fair value of deferred share bonus scheme awards at date of grant was estimated based on the market price at date of grant.

30 Reconciliation of operating profit to operating cash flows

	Group		Company	
	2018 \$ million	2017 \$ million	2018 \$ million	2017 \$ million
Operating profit/(loss)	79.9	22.9	(26.7)	(18.0)
Share-based payments	2.5	2.0	2.5	2.0
Depletion and depreciation	52.1	56.8	0.3	0.3
Reversal of impairment charge	(37.8)	–	–	–
Operating cash flows before movements in working capital	96.7	81.7	(23.9)	(15.7)
Decrease in inventories	0.1	1.5	–	–
Decrease (increase) in receivables	1.2	4.4	(0.7)	0.4
Increase in payables	3.4	0.2	1.4	2.4
Cash generated by (used in) operations	101.4	87.8	(23.2)	(12.9)
Interest received	2.6	1.4	–	–
Interest paid	(0.1)	–	–	–
Income taxes paid	(48.0)	(44.2)	–	–
Net cash from (used in) continuing operating activities	55.9	45.0	(23.2)	(12.9)
Net cash used in discontinued operating activities	(1.7)	–	–	–
Net cash from (used in) operating activities	54.2	45.0	(23.2)	(12.9)

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31 Operating lease arrangements

	2018 \$ million	2017 \$ million
Minimum lease payments under operating leases recognised in income for the year	23.1	29.2

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:

	2018 \$ million	2017 \$ million
Within one year	9.9	19.0
In two to five years	39.0	2.2
After five years	7.0	–
	55.9	21.2

Operating lease payments represent rentals payable by the Group for chartering an FPSO and for office properties. The previous FPSO lease expired in 2018 but new terms have been agreed from August 2018 and will continue until November 2024.

32 Capital commitments

At 31 December 2018 the Group had exploration licence commitments not accrued of approximately \$25.8m (2017: \$26.3m).

33 Related party transactions

During the year, the Company recorded a net cost of \$0.6m (2017: net cost of \$1.0m) in respect of services rendered between Group companies.

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 82 to 96.

	2018 \$ million	2017 \$ million
Short term employee benefits	5.9	6.1
Post-employment benefits	0.3	0.3
Share-based payments	1.5	1.7
	7.7	8.1

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 Qantic 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 Qantic group of companies in the subsidiary undertakings, which principally affected the profits or net assets of the Group, are shown in Note 16. The Group has entered into a consulting agreement, which is terminable by either party on 30 days' written notice, wherein Qantic Limited, which is part of the Qantic 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. As of February 2019, the consulting agreement with SOCO and Qantic has been terminated and no further consulting fees will be paid.

34 Disposal of Africa interest

Disposal of Congo interest

On 24th June 2018, SOCO signed and completed a Sale and Purchase Agreement (“the SPA”) with Coastal Energy Congo Limited (“Coastal Energy”), to sell its entire shareholding in SOCO Congo Limited (“SOCO Congo”), which holds the Group’s appraisal interests in Congo (Brazzaville). Under the terms of the Agreement the Group is entitled to receive a cash consideration of up to \$10m plus subsequent payments based on future oil and condensate production sold from those interests in Congo (royalty). The cash consideration of up to \$10m payable under the SPA is structured as follows:

- + Tranche 1: \$1m within 10 business days on the later to occur of: i. agreement or expert determination of a statement of net assets or liabilities of SOCO Congo and its subsidiary as at 30 June 2018 (the 30 June Statement); and ii. execution of the first agreement relating to the bonus payable in respect of any of the four exploitation permits (the “PEX bonus agreement”);
- + Tranche 2: \$5m within 10 business days of formal approval of the first development plan on any of the exploitation permits; and
- + Tranche 3: \$4m within 20 business days on the earlier to occur of: i. first commercial production of oil or condensate from any of the exploitation permits; and ii. 31 December 2019.

Each element of the cash consideration is subject to potential adjustment by reference to the 30 June 2018 Statement.

In addition, SOCO will retain the right to an overriding royalty interest on all barrels of oil or condensate produced and sold from any of the four exploitation permits. The royalty payable on each barrel of oil or condensate produced and sold will be determined by reference to the prevailing price of North Sea Dated Brent (“the Benchmark Price”), as summarised below:

- + \$0.50 on each barrel where the Benchmark Price is at or under \$52.25 per barrel; or
- + \$1.00 on each barrel where the Benchmark Price is over \$52.25 per barrel.

The fair value of the above consideration (including the overriding royalty) at 31 December 2018 was estimated at \$0.49m. The fair value of the consideration will be reassessed at each balance sheet date, with movements recorded in the income statement. The fair value of this financial asset is included in current and non-current assets at \$0.18m and \$0.31m respectively. It was determined using a valuation technique as there is no active market against which direct comparisons can be made (Level 3 as defined in IFRS 13 ‘Fair Value Measurement’). To arrive at the estimated fair value, we have applied a discount rate and a probability of success for each of the four elements set out above. The discount rate is 12% and represents a rate which reflects the time value of money, country risk and the credit risk of Coastal Energy group. The probability of success, being the probability that the conditions relating to each element of consideration are both met and enforceable, ranges from 20% for Tranche 1 to 2% for Tranches 2 and 3, with the figures reflecting the high estimation uncertainty due to the short time which has elapsed since completion, as well as the requirement for the PEX bonus criteria to be met (Tranche 1) before it is possible to comply with the criteria in respect of the remaining elements of the consideration. In determining the fair value of the royalty, the key inputs include the probability of future oil prices being above \$52.25 per barrel as well as estimated future production, as well as a 2% probability of commercial production being achieved. A summary of the fair values attributed to each element of the consideration at 31 December 2018 is outlined below.

List of four elements of consideration	undiscounted/ unrisked value	discounted risked value
Tranche 1 – PEX bonus agreement signed	\$1m	\$0.18m
Tranche 2 – first development plan approval	\$5m	\$0.08m
Tranche 3 – first commercial production	\$4m	\$0.06m
Overriding royalty interest		\$0.17m
Total		\$0.49m

The fair value of the consideration is most sensitive to changes in the probability of success applied to each element, with the key triggering events considered to represent the PEX bonus signature and, following on from this, the approval of the first development plan. A change in the discount rate by 1% would increase/decrease the fair value by \$0.01 million. The fair value will be retested at each reporting date.

As the Group's Congo asset is now classified as part of the Group's discontinued Africa operations, the profit and loss attributable to the Congo interest up to the date of completion have been removed from continuing operations.

In 2018, the Congo Brazzaville interest, generated an operating and post-tax loss of \$1.5m (2017: \$104m). No revenue arose for any of the years. Immediately prior to the sale the Group's share of net assets held by the Congo interest was \$0.34m comprising current assets of \$0.69m, cash of \$4.5m and current liabilities of \$4.85m. Immediately after completion of the sale the Group recognised a gain on disposal of \$0.15m based on the fair value of the financial asset of \$0.49m.

Disposal of Angola interest

On 29th June 2018, SOCO Exploration Limited entered into a Sale and Purchase Agreement ("the SPA") with Quill Trading Corporation and WMLC Resources Limited to sell its entire shareholding in SOCO Cabinda Limited ("SOCO Cabinda"), for a total cash consideration of up to \$5m. SOCO Cabinda holds the Group's exploration interest in Angola.

The completion of the SPA was conditional, inter alia, upon receipt of customary approvals which were obtained on the second half of 2018. As 30 June 2018, SOCO Cabinda was recognised as disposal assets classified as held for sale and part of the Group's discontinued Africa operations.

For the first half of 2018, SOCO Cabinda generated an operating and post-tax loss of \$0.7m (full year 2017: \$48.3m.). No revenue arose for any of the years.

In October 2018 the sale was completed as SOCO has received the total cash consideration of \$5m together with a minor further payment to cover funding requirements after 30 June 2018.

Immediately prior to the sale the Group's share of net liabilities held by the Angola interest was liabilities associated with assets classified as held for sale of \$1.6m with intangible assets fully impaired as of 31 December 2017. Immediately after completion of the sale the Group recognised a gain on disposal of \$5.7m.

35 Acquisition of Merlon

As announced on 20 September 2018, the Company signed a sale and purchase agreement (the "Merlon SPA") with Merlon International LLC for the proposed acquisition of Merlon Petroleum El Fayum Company in consideration for the payment of approximately \$136m in cash and the issue of 65,561,041 new ordinary shares in the Company. On 21 December 2018 the Company's shareholders approved the acquisition in general meeting, satisfying one of the conditions precedent to the acquisition. Since the balance sheet date, the Company has continued to work towards satisfaction of the remaining conditions precedent under the Merlon SPA, including liaison with the relevant regulatory and governmental authorities in Egypt and with the Financial Conduct Authority and the London Stock Exchange on the admission to listing and trading of the consideration shares. Completion of the acquisition is expected to occur in 1H 2019.

Additional Information

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Non-IFRS measures

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.

	2018 \$ million	2017 \$ million
Cost of sales	104.6	115.0
Less:		
Depreciation, depletion and amortisation	(51.8)	(56.5)
Production based taxes	(15.1)	(13.6)
Inventories	(0.1)	(1.5)
Other cost of sales	(1.4)	(1.9)
Cash operating costs	36.2	41.5
Production (BOEPD)	7,274	8,276
Cash operating cost per BOE (\$)	13.63	13.73

DD&A per barrel

DD&A per barrel is calculated as net book value of oil and gas assets in production, together with estimated future development costs over the remaining 2P reserves. This is a useful indicator of ongoing rates of depreciation and amortisation of the Group's producing assets.

	2018 \$ million	2017 \$ million
Depreciation, depletion and amortisation	51.8	56.5
Production (BOEPD)	7,274	8,276
DD&A per BOE (\$)	19.51	18.72

Five Year Summary (unaudited)

	Year to 31 Dec 2018 \$ million	Year to 31 Dec 2017 \$ million	(Restated)* Year to 31 Dec 2016 \$ million	(Not Restated) Year to 31 Dec 2015 \$ million	(Not Restated) Year to 31 Dec 2014 \$ million
Consolidated income statement					
Oil and gas revenues	175.1	156.2	154.6	214.8	448.2
Gross profit	70.5	41.2	34.7	48.4	304.4
Operating profit	79.9	22.9	23.4	2.0	152.6
Profit (loss) for the year	27.7	(157.3)	(4.2)	(33.8)	14.0

	2018 \$ million	2017 \$ million	(Restated) 2016 \$ million	(Not Restated) 2015 \$ million	(Not Restated) 2014 \$ million
Consolidated balance sheet					
Non-current assets	553.6	546.6	738.6	1,001.5	1,068.7
Net current assets	236.3	133.3	142.5	134.6	157.7
Non-current liabilities	(289.1)	(185.3)	(209.9)	(243.6)	(251.3)
Net assets	500.8	494.6	671.2	892.5	975.1
Share capital	27.6	27.6	27.6	27.6	27.6
Other reserves	246.6	245.9	243.8	242.3	239.5
Retained earnings	226.6	221.1	399.8	622.6	708.0
Total equity	500.8	494.6	671.2	892.5	975.1

	Year to 31 Dec 2018 \$ million	Year to 31 Dec 2017 \$ million	(Restated) Year to 31 Dec 2016 \$ million	(Not Restated) Year to 31 Dec 2015 \$ million	(Not Restated) Year to 31 Dec 2014 \$ million
Consolidated cash flow statement					
Net cash from operating activities	54.2	45.0	46.0	80.3	251.2
Capital expenditure	22.4	26.2	35.8	87.5	162.5
Distributions	23.3	21.0	17.5	51.1	119.2

* Restated in 2017 when adopted the successful efforts method

Reserves Statistics (unaudited)

Net working interest, MMBOE

	TGT	CNV	Vietnam ³	Group
Oil and Gas 2P Commercial Reserves^{1,2}				
As at 1 January 2018	23.1	5.0	28.1	28.1
Production	(2.1)	(0.6)	(2.7)	(2.7)
Revision	(4.8)	2.4	(2.4)	(2.4)
2P Commercial Reserves as at 31 December 2018	16.2	6.8	23.0	23.0
Oil and Gas 2C Contingent Resources^{1,2}				
As at 1 January 2018	14.9	5.9	20.8	20.8
Revision ⁴	(2.7)	(1.7)	(4.4)	(4.4)
2C Contingent Resources as at 31 December 2018	12.2	4.2	16.4	16.4
Total of 2P Reserves and 2C Contingent Resources as at 31 December 2018	28.4	11.0	39.4	39.4

¹ Reserves and Contingent Resources are categorised in line with 2018 SPE/WPC/AAPG/SPEE /SWLA Petroleum Resource Management System.

² Assumes oil equivalent conversion factor of 6,000 scf/boe.

³ Reserves and Contingent Resources have been independently audited by Risc Advisory Pty Ltd

⁴ Revisions to the Vietnam assets come from the approach taken by the reserves auditor.

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

Report on Payments to Governments (unaudited)

Disclosure

In accordance with the Financial Conduct Authority's Disclosure and Transparency Rule 4.3A in respect of payments made by the Company to governments for the year ended 31 December 2018 and in compliance with The Reports on Payments to Governments Regulations 2014 (SI 2014/3209), SOCO presents its disclosure for the year ending 31 December 2018.

Basis for preparation Legislation

This report is prepared in accordance with the Reports on Payments to Governments Regulations 2014 as enacted in the UK in December 2014 and as amended in December 2015.

The Reports on Payments to Government Regulations (UK Regulations) were enacted on 1 December 2014 and require UK companies in extractive industries to publicly disclose payments they have made to Governments where they undertake extractive operations. The aim of the regulations is to enhance the transparency of the payments made by companies in the extractive sector to host governments in the form of taxes, bonuses, royalties, fees and support for infrastructure improvements. The UK Regulations came into effect on 1 January 2015.

The payments disclosed for 2018 are in line with the EU Directive and UK Regulations and we have provided additional voluntary disclosures on payroll taxes, export duty, withholding tax and other taxes.

In line with the UK Regulations, a payment of a series of related payments which do not exceed \$109,091 (£86,000) have not been disclosed. Where the aggregate payments made in the period for a project or country are less than \$109,091, payments are not disclosed for the project or country.

All of the payments disclosed in accordance with the EU Directive have been made to National Governments, either directly or through a Ministry or Department, or to a national oil company, who have a working interest in a particular licence.

Payment

The information is reported under the following payment types:

Production entitlements in barrels

These are the host government's total share of production in the reporting period derived from projects operated by SOCO. This includes the government's non-cash royalties as a sovereign entity or through its participation as an equity or interest holder in projects within its home country. In Vietnam where SOCO participates in two Joint Operating Companies ("JOCs"), production entitlements through the government's interest in the respective JOC. The figures produced are on a paid lifting basis valued at realised sale prices.

Income Taxes

This represents cash tax calculated on the basis of profits including income or capital gains. Income taxes are usually reflected in corporate income tax returns. The cash payment of income taxes occurs in the year in which the tax has arisen or up to one year later. Income taxes also include any cash tax rebates received from the government or revenue authority during the year. Income taxes do not include fines and penalties. Consumption taxes including value adding taxes, personal income taxes, sales taxes and property taxes are excluded.

Royalties

These represent royalties during the year to governments for the right to extract oil or gas. The terms of these royalties are set within the individual Production Sharing Contracts & Agreements and can vary from project to project within a country. The cash payment of royalties occurs in the year in which the tax has arisen.

Dividends

These are dividend payments, other than dividends paid to a government as an ordinary shareholder of an entity, in lieu of production entitlements or royalties. For the year ending 31 December 2018, there were no reportable dividend payments to governments.

Bonuses

This represents any bonus paid to governments during the year on achievement of commercial milestones such as signing of a petroleum agreement or contract, achieving commercial discovery, or after first production.

Licence Fees

This represents licence fees, rental fees, entry fees and other consideration for licences and/or concessions paid for access to an area during the year (with the exception of signature bonuses which are captured within bonus payments).

Infrastructure improvement payments

This represents payments made in respect of infrastructure improvements for projects that are not directly related to oil and gas activities during the year. This can be a contractually obligated payment in a Production Sharing Contract or a discretionary payment for building/improving local infrastructure such as roads, bridges, ports, schools and hospitals.

Payroll Taxes

This represents payroll and employer taxes including PAYE and national insurance paid by SOCO as a direct employer.

Export Duty

This represents payments made to governments during the year in relation to the exportation of petroleum products.

Withholding Tax

This represents the amount of tax deducted at source from third party service providers during the year and paid to respective governments.

Other Taxes

This represents business rates paid during the year on non-domestic properties.

Transparency disclosure 2018 (unaudited)

	UK Regulations									Voluntary Disclosure				
	Production entitlements	Production entitlements	Income Taxes	Royalties	Dividends	Bonus Payments	Licence fees	Infrastructure improvement payments	Total EU Transparency Directive	Payroll Taxes	Export Duty	With-holding Tax	Other Taxes	Total
	bbls (000)	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Licence/ Corporate/ Area														
Vietnam*														
Block 16-1	1,471	104,210	42,067	11,908	-	-	78	-	158,263	-	1,729	-	-	1,729
Block 9.2	558	28,846	5,994	1,635	-	-	75	-	36,550	-	-	-	-	-
Total Vietnam	2,029	133,056	48,061	13,543	-	-	153	-	194,813	-	1,729	-	-	1,729
Republic of Congo (ROC)**														
Marine XI & Lidongo PEX														
Total ROC	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United Kingdom (UK)														
Corporate														
Total UK	-	-	-	-	-	-	-	-	-	3,861	-	-	432	4,293
United States of America (US)														
Corporate														
Total US	-	-	-	-	-	-	-	-	-	1,541	-	-	-	1,541
SOCO Total	2,029	133,056	48,061	13,543	-	-	153	-	194,813	5,402	1,729	-	432	7,563

Transparency disclosure 2018 (unaudited)

	UK Regulations									Voluntary Disclosure				
	Production entitlements	Production entitlements	Income Taxes	Royalties	Dividends	Bonus Payments	Licence fees	Infrastructure improvement payments	Total	Payroll Taxes	Export Duty	With-holding Tax	Other Taxes	Total
	bbls (000)	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Country/ Government														
Vietnam*														
Ho Chi Minh City Tax Dept	-	-	48,061	13,543	-	-	-	-	61,604	-	-	-	-	-
Customs Office	-	-	-	-	-	-	-	-	-	-	1,729	-	-	1,729
PetroVietnam E&P Corp (PVEP)	2,029	133,056	-	-	-	-	153	-	133,209	-	-	-	-	-
Total Vietnam	2,029	133,056	48,061	13,543	-	-	153	-	194,813	-	1,729	-	-	1,729
Republic of Congo (ROC)**														
Ministry Of Hydrocarbons														
Tresor Public	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total ROC	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United Kingdom (UK)														
Inland Revenue														
	-	-	-	-	-	-	-	-	-	3,861	-	-	-	3,861
City of Westminster	-	-	-	-	-	-	-	-	-	-	-	-	432	432
Total UK	-	-	-	-	-	-	-	-	-	3,861	-	-	432	4,293
United States of America (US)														
Internal Revenue Service														
	-	-	-	-	-	-	-	-	-	1,541	-	-	-	1,541
Total US	-	-	-	-	-	-	-	-	-	1,541	-	-	-	1,541
SOCO Total	2,029	133,056	48,061	13,543	-	-	153	-	194,813	5,402	1,729	-	432	7,563

* Joint Operating Company Project's tax payments reported on SOCO Net Working Interest Basis.

** Projects Operated by SOCO 100% of tax payments reported.

Glossary of Terms

A

AGM
Annual General Meeting

B

bbl
Barrel

blpd
Barrels of liquids per day

Bn
Billion

boe
Barrels of oil equivalent

BHCPP
Bach Ho Central Processing Platform

boepd
Barrels of oil equivalent per day

bopd
Barrels of oil per day

bwpd
Barrels of water per day

C

CASH or cash
Cash, cash equivalent and liquid investments

CAPEX or capex
Capital expenditure

CEO
Chief Executive Officer

CFO
Chief Finance Officer

CNV
Ca Ngu Vang field located in Block 9-2

Congo (Brazzaville)
The Republic of the 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

D

DD&A
Depreciation, depletion and amortisation

E

E&P
Exploration & Production

EBITDAX
Earnings before Interest, Tax, Depreciation, Amortization and Exploration Expenses

EBT

Employee benefit trust

E&E

Exploration and Evaluation

EGP

Egyptian Pound

EGPC

Egyptian General Petroleum Corporation

EU

European Union

F

FFDP
Full Field Development Plan

FPSO
Floating, Production, Storage and Offloading Vessel

FY

Full year

G

G&A
General and administration

GHG
Green House Gas

H

HLHVJOC
Hoang Long and Hoan Vu Joint Operating Companies

HLJOC
Hoang Long Joint Operating Company

HVJOC
Hoan Vu Joint Operating Company

I

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

IMF
International Monetary Fund

IOGP
The International Association of Oil & Gas Producers

IPIECA
The global oil and gas industry association for environmental and social issues

J

JOC
Joint Operating Company

JV
Joint venture

K

k
thousands

kbopd
Thousand barrels of oil per day

Km

Kilometre

km²

Square kilometre

L

LTI
Lost Time Injury

LTIF
Lost Time Injury Frequency

LTIP
Long Term Incentive Plan

M

m
million

M&A
Mergers and Acquisitions

MENA
Middle East and North Africa region

Merlon
Merlon El Fayum Company

mmbbl
Million barrels

mmbboe
Million barrels of oil equivalent

O

OOIP
Original Oil in Place

OPECO Vietnam
OPECO Vietnam Limited

Opex
Operational expenditure

P

Petrosilah
An Egyptian joint stock company to be held 50/50 between the SOCO Group and the Egyptian General Petroleum Corporation

PSC
Production sharing contract or production sharing agreement

Petrovietnam
Vietnam Oil and Gas Group

PTTEP
PTT Exploration and Production Public Company Limited

R

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

RBL

Reserve Based Lending Facility

RISC

RISC Advisory Pty Ltd

S

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

STOIPP

Stock Tank Oil Initially In Place

T

TGT
Te Giac Trang field located in Block 16-1

TSR
Total shareholder return

TIA
Tie-in Agreement

U

UK
United Kingdom

US
United States of America

W

WHP
Wellhead Platform

Y

YTD
Year-to-Date

\$

United States Dollar

£

UK Pound Sterling

1C

Low estimate scenario of Contingent Resources

1H

First half

1P

Equivalent to Prove Reserves; denotes low estimate scenario of Reserves

2C

Best estimate scenario of Contingent Resources

2C Contingent Resources

Best estimate scenario of Contingent Resources

2P Reserves

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

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Tony Hunter

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

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