

SOCO International plc
(“SOCO or the Company”)

Report on Payments to Governments

Disclosure for the year ending 31 December 2016

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 2016 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 2016.

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 implement Chapter 10 of the EU accounting Directive (the Directive) 2013/34/EU. The UK Regulations came into effect on 1 January 2015.

The payments disclosed for 2016 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.

The payments disclosed are based on where the obligation for the payment arose. Payments raised at a project level have been disclosed at a project level and payments raised at a corporate level have been disclosed on that basis.

In line with the UK Regulations, a payment or a series of related payments which do not exceed US\$106,098 (£86,000) have not been disclosed. Where the aggregate payments made in the period for a project or country are less than US\$106,090, 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 JOCs, held by the National Oil Company, have been reported net to SOCO’s working interest in the respective JOC. The figures produced are on a paid lifting basis.

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 payments 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 2016, 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 2016 (Unaudited)

Licence/Corporate/ Area	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	Withholding 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
Vietnam*														
Block 16-1	2,209	90,647	35,726	10,101	-	-	78	-	136,552	-	1,360	-	-	137,912
Block 9.2	576	18,852	4,042	1,051	-	-	75	-	24,020	-	-	-	-	24,020
Total Vietnam	2,785	109,499	39,768	11,152	-	-	153	-	160,572	-	1,360	-	-	161,932
Republic Of Congo (ROC)**														-
Marine XI	-	-	-	-	-	-	100	383	483	275	-	39	-	797
Mer Profund Sud	-	-	-	-	-	300	-	-	300	-	-	86	-	386
Total ROC	-	-	-	-	-	300	100	383	783	275	-	125	-	1,183
United Kingdom (UK)														
Corporate	-	-	-	-	-	-	-	-	-	3,996	-	-	398	4,394
Total UK	-	-	-	-	-	-	-	-	-	3,996	-	-	398	4,394
United States of America (US)														
Corporate	-	-	-	-	-	-	-	-	-	1,286	-	-	-	1,286
Total US	-	-	-	-	-	-	-	-	-	1,286	-	-	-	1,286
SOCO Total	2,785	109,499	39,768	11,152	-	300	253	383	161,355	5,557	1,360	125	398	168,795

*Joint Operating Company Project's tax payments reported on SOCO Net Working Interest Basis.

**Projects Operated by SOCO 100% of tax payments reported.

Transparency Disclosure 2016 (Unaudited)

Country/Government	UK Regulations									Voluntary Disclosure				
	Production entitlements	Production entitlements	Income Taxes	Royalties	Dividends	Bonus Payments	Licence fees	Infrastructure improvement payments	Total	Payroll Taxes	Export Duty	Withholding 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
Vietnam*														
Ho Chi Minh City Tax Dept	-	-	39,768	11,152	-	-	-	-	50,920	-	-	-	-	50,920
Customs Office	-	-	-	-	-	-	-	-	-	-	1,360	-	-	1,360
PetroVietnam E&P Corp (PVEP)	2,785	109,499	-	-	-	-	153	-	109,652	-	-	-	-	109,652
Total Vietnam	2,785	109,499	39,768	11,152	-	-	153	-	160,572	-	1,360	-	-	161,932
Republic Of Congo (ROC)**														
Ministry Of Hydrocarbons	-	-	-	-	-	300	100	383	783	-	-	-	-	783
Tresor Public	-	-	-	-	-	-	-	-	-	275	-	125	-	400
Total ROC	-	-	-	-	-	300	100	383	783	275	-	125	-	1,183
United Kingdom (UK)														
Inland Revenue	-	-	-	-	-	-	-	-	-	3,996	-	-	-	3,996
City of Westminster	-	-	-	-	-	-	-	-	-	-	-	-	398	398
Total UK	-	-	-	-	-	-	-	-	-	3,996	-	-	398	4,394
United States of America (US)														
Internal Revenue Service	-	-	-	-	-	-	-	-	-	1,286	-	-	-	1,286
Total US	-	-	-	-	-	-	-	-	-	1,286	-	-	-	1,286
SOCO Total	2,785	109,499	39,768	11,152	-	300	253	383	161,355	5,557	1,360	125	398	168,795

*Joint Operating Company Project's tax payments reported on SOCO Net Working Interest Basis.

**Projects Operated by SOCO 100% of tax payments reported.