SERICA ENERGY PLC

2014

ANNUAL REPORT AND ACCOUNTS

Company Number: 5450950

CHAIRMAN'S STATEMENT

Dear Shareholder

2014 was a torrid year for upstream oil and gas companies and a particularly difficult year for the independents. Serica was no exception. We had to contend with an ever increasing industry cost base, increasing transaction complexity, high taxation levels and an oil price collapse. As a result capital markets showed a reluctance to invest and funds to build our business all but dried up.

Serica's reaction has been to cut its operating cost base drastically whilst, at the same time, seeking to rebase our operations and strengthen our finances by acquiring a production base in an area of the North Sea which we know well, where our tax position gives us an advantage and where we believe material value can be added. We are doing this whilst trying to preserve the potential which we continue to see in our exploration acreage elsewhere, particularly offshore Namibia and Ireland, although we believe it will be some time before the economics of deep water drilling bring renewed interest there.

The first part of this strategy was the agreement reached in June 2014 to purchase an 18% interest in the Central North Sea Erskine field from BP. Erskine lies close to our existing Columbus discovery and produces gas rich in condensate through an infrastructure system that Serica has been trying for years to access. The complexities of North Sea agreements, the tightness of markets and the collapse in oil prices at the end of 2014 have delayed closing of this transaction but I am delighted to report that the transaction is expected to complete imminently.

The acquisition brings material benefits to Serica. It adds approximately 3.6 mmboe (effective 1 January 2014) of producing, proven and probable oil and gas reserves net to Serica at a cost per barrel of approximately US$4. In addition, as the result of adjustments at completion to account for net revenue since the effective acquisition date and deferral of part of the consideration payable, the Company is receiving a cash payment of approximately US$9 million from BP at completion which enhances our working capital position. Net current assets at year end 2014 stood at US$8.2 million, including cash balances of US$9.9 million. BP will also receive a meaningful equity stake in Serica. As part of the working capital adjustments at completion this has been set at 13.5 million shares, approximately 5% of Serica's enlarged issued share capital.

In addition to improving our immediate cash resources and bringing cash flow to the Company, the purchase of an interest in Erskine is a very important step for Serica. It brings us production from a field where there is significant room for improved productivity. During 2014 the field showed it was capable of producing up to 4,000 boepd net to Serica but only averaged around 1,100 boepd as the result of poor infrastructure performance downstream (excluding the period of planned shutdown). Erskine recommenced production in late May after being closed late last summer to enable major works to be undertaken on the Lomond field through which it produces. It is the intention of all field participants to improve production performance radically by focussing on downstream infrastructure performance and Serica will be working closely with Chevron, the field operator, and BG, the operator of Lomond and also a partner in Erskine, to achieve this. If we are successful in this endeavour it will bring significant returns for Serica.

The value of Erskine is also enhanced significantly as a result of our tax position. At the year end this amounted to approximately US$186 million of unused Ring Fence Corporation Tax losses from past UK investment made by Serica. This is a valuable asset which can be used to offset tax liabilities, not only from Erskine but also from other UK producing fields whether acquired or, in the instance of Columbus, developed by the Company.

The transaction therefore brings many valuable benefits to Serica. It is our intention to use our contacts, expertise and the benefits of our tax position to build on this to expand Serica's position in the North Sea in anticipation of a recovery in oil prices over the medium term and we will now be seeking financial partners with whom we can build on these advantages. We already have the Columbus discovery and a 15% interest in the very interesting 22/19c block lying nearby, in which we have two clear large HPHT prospects and a full carry on the first well. Acquiring an interest in Erskine and access to nearby infrastructure is complementary to this and provides a platform with which, with a fair wind, renewed interest from financial markets and strong partners, we can build our business and realise the considerable potential in our assets to the benefit of shareholders.

We are now able to review how we might progress Columbus. We are currently evaluating a proposal received from the Lomond field operator for the handling of Columbus gas and condensate. Pending a decision on export routes for Columbus, we have taken the step of reclassifying Columbus reserves, which stand at 5.2 mmboe, as contingent resources. It is expected that these resources will be reclassified as reserves once the decision on an export route and field development has been taken. Post the acquisition of Erskine our oil and gas resources therefore stand at approximately 3.3 mmboe of producing, proven and probable reserves in Erskine (after 2014 production) and approximately 5.2 mmboe of oil and gas resources in Columbus contingent on infrastructure access. We have also written down the investment in Columbus to a level which takes account of the recent fall in forward oil prices.

We do this in parallel with maintaining our exploration interests elsewhere in the UK, Namibia and Ireland. Following recent drilling results we are reviewing our position in Morocco. Prudent and careful risk management and cash constraints in a difficult market have resulted in us having no debt and no material commitments. All the commitments relating to our licences have been met in full and the reality of the current industry retrenchment has meant that we are dealing with government agencies who are sympathetic to extending licence terms and reducing costs. In the UK we have seen the government reduce the heavy tax burden and more needs to be done. In parallel there are now clear signs that major operators and the service companies recognise that costs must be cut and practices changed, both offshore and in head office functions, if profitability is to be restored and jobs retained. In the North Sea it is a critical moment but I am optimistic that the ability of the industry and the government to recognise the need for change will result in significant improvement with the consequence that investment will return.

Whilst we have been trying to build for the future we have also made major cuts to our operating overheads. The two things work in opposite directions but, with the backdrop of tight financial markets, both have been essential. Since the start of 2015 our monthly overhead costs have been reduced by more than half. This includes a major reduction in office space, a reduction in staff levels to the absolute minimum, delisting in Canada and cut-backs in offshore work programmes. As part of this the non-executive directors have also taken a 50% cut in fees since the start of the year and I have taken a 67% cut. Of course, we have to be prepared to pay the full cost of talent if we are to grow and a balance has to be met. I believe we are now at the minimum level compatible with growing the Company and we will be looking to restore the balances as conditions improve.

We have announced earlier this month that Chris Hearne, our Finance Director, has accepted a new role with a US independent and will be leaving Serica at the end of May. We have also announced that Mitch Flegg, our COO, has accepted the role of CEO at another AIM listed independent. Whilst we are very sorry to lose the services of these two highly experienced individuals I am delighted that their talents have been recognised and I am sure that all shareholders will want to wish them well in their new careers. On a personal level, I would like to thank them both for their commitment to the Company. They have put in place a solid team on both the operational and finance sides which has all the experience needed to meet the Company's needs and I am confident that we have all the skills needed to build as market conditions improve.

As shareholders will be aware, I have been taking the role as acting CEO as well as non-executive Chairman whilst we sought to reposition the Company and strengthen the Company's balance sheet. This has taken far longer to achieve than anticipated. We still have further steps to make to place the Company on a sounder financial footing but I believe the Erskine deal will go a considerable way to helping us to achieve that. Whilst we pursue the various objectives to give the Company the resources to maximise the value of what is a small but potentially a very exciting portfolio I shall be continuing to provide executive continuity to enable us to achieve that and will be taking the role of Executive Chairman from 1 June whilst we review the need to replace the positions left vacant by Mitch and Chris. I am supported by a small but very talented team of employees and retained consultants who have the experience and knowledge of our assets and the commitment that is needed.

We are also announcing changes at the non-executive level. Steve Theede, will not be standing for re-election at the Annual General Meeting and will be standing down at the end of that meeting. Steve has been on the Board since mid-2007 and his experience and counsel have been invaluable to the Board during very difficult times for the industry. Steve has moved to the USA and, whilst his input now that we are about to enter the North Sea production phase would be invaluable, he and we agree that it is difficult for him to provide that from such a distance. I would like to thank him for all that he has done to assist and promote the Company's interests. It goes without saying that all these Board changes will further cut the Company's overhead costs and I believe that we are now operating at the minimum level consistent with the need also to build the Company.

The past year has been difficult for all independents but I believe that Serica has weathered the storm and emerges a considerably strengthened company as the direct result of steps taken by management to reduce overhead costs, farm-out licence obligations and, importantly, to conclude the acquisition of a strategically important interest in a producing North Sea field where there is considerable upside for improved performance. The acquisition of the interest in Erskine gives Serica both access to important infrastructure and a meaningful cash flow profile which, if its full potential is realised, will bring considerable benefit to shareholders and open up significant new opportunities for Serica.

Shareholders continue to enjoy exposure to high impact exploration both in the UK and overseas but with licence commitments now reduced to virtually zero as the result of our successful farm-out campaign. Wells are still planned for both the Doyle prospect in the East Irish Sea, where we are carried for the first £11 million of gross drilling costs, and to test the very significant HPHT prospects in Block 22/19c, where we have a fully carried 15% interest. The timing has slipped in the current environment but the wells are expected to be drilled in 2016 and 2017 respectively and hold great promise for the Company at very little cost to shareholders.

In short, if Erskine produces as planned, Serica has the financial resources, an exciting asset mix and very low overhead to pursue different ways of releasing the value inherent in Serica's portfolio. There is considerable opportunity to add value to Erskine by improving downstream performance, to realise the value of Columbus through field development, to enhance the value of our exploration assets through the drill bit, particularly where we are carried, and to extract full value of our tax position through further acquisitions, potentially in partnership with others. We plan to follow these objectives aggressively in 2015 and beyond.

Tony Craven Walker
Chairman
29 May 2015

STRATEGIC REPORT

The following Strategic Report of the operations and financial results of Serica Energy plc and its subsidiaries (the "Group") should be read in conjunction with Serica's consolidated financial statements for the year ended 31 December 2014.

References to the "Company" include Serica and its subsidiaries where relevant. All figures are reported in US dollars ("US$") unless otherwise stated.

Although the Company delisted from the TSX in March 2015, the Company is a "designated foreign issuer" as that term is defined under National Instrument 71-102 - *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers.* The Company is subject to the foreign regulatory requirements of the Alternative Investment Market of the London Stock Exchange in the United Kingdom.

Serica is an oil and gas company with exploration and development activities based in the UK, Ireland, Namibia and Morocco, and an economic interest in an oilfield offshore Norway.

REVIEW OF OPERATIONS

UK Operations

Erskine Acquisition

In June 2014, Serica announced that agreement had been reached with BP in an innovative deal for the Company to acquire an 18% interest in UK blocks 23/26a (Area B) and 23/26b (Area B), located in the UK Central North Sea and containing the Erskine field. The other partners in the field are BG and Chevron (operator). The transaction, which will be completed imminently, provides the Company with a tax efficient income stream and increases Serica's 2P reserves by an estimated 3.6 mmboe effective 1 January 2014 (Company estimates).

The key elements to the transaction, announced in June 2014, provided for a consideration payable to BP of US$11.1 million in cash plus 27 million new Ordinary Shares in Serica on completion subject to certain working capital adjustments to account for revenue and cost items occurring after the effective date of 1 January 2014. Completion arrangements provide that the US$11.1 million cash element is to be paid in four equal instalments; the first at completion followed by payments in July 2016, July 2017 and July 2018. As a result of these working capital adjustments, Serica will receive a completion cash sum amounting to approximately US$9 million net of the first tranche of cash consideration payable on completion, whilst the share element has also been reduced to 13.5 million new Ordinary Shares, representing approximately 5.1% of Serica's enlarged issued share capital.

Field production offers the balance of both gas and oil condensate revenues. Realised gas prices for the field during 2014 averaged 41 pence per therm and forward gas prices support expectations of continuing healthy gas demand in the UK. Realised oil prices for the field during 2014 averaged US$100 per barrel, including 55,000 barrels of overlift, thus insulating Serica from the impact of market oil prices over recent months and for the first couple of months following production restart.

The transaction contains provisions for decommissioning which are also innovative in the North Sea and recognise the need to share these costs between the buyer and seller. Decommissioning at the end of field life has been provided for on the basis that BP will meet all decommissioning costs up to the current estimate for decommissioning agreed by Serica and BP. This has been fixed at a gross £174.0 million (£31.32 million net to Serica) with this figure adjusted for inflation and Serica only being responsible for any costs above the inflated level.

The Erskine transaction brings a tax efficient income stream to Serica. Net production from Erskine for the year 2014 accruing to the interest acquired was in excess of 317,000 boe. This was lower than expected due to extended periods of shutdown for both planned and unplanned maintenance programmes on the Lomond platform which provides processing facilities for the Erskine production fluids. This extensive maintenance programme has continued in 2015 but has now been completed and the field is back in production. It is expected that the impact of this maintenance programme will be to improve the field uptime for the remainder of 2015. Initial production will be used to reduce an overlift position acquired at completion.

We also expect to derive significant additional benefit from the strong synergies with Serica's existing operations. The Erskine, Lomond and Columbus assets are clearly inter-related and the transaction is significant for the Company in view of our efforts to build a stronger position in the area around Columbus. It will give us a position in the nearby infrastructure and more closely align Serica with Chevron and BG as operators of Erskine and Lomond respectively. This is important in our efforts to find a solution to develop Columbus.

Columbus Development

The main challenge for Serica in the UK during 2014 has been how to resolve the delay in the Columbus field development resulting from BG's decision early in 2013 not to build the Bridge Linked Platform at Lomond, then an integral part of our plans to develop Columbus. Technical work conducted during 2014 has considered several alternative offtake routes and confirmed that Lomond provides the easiest and most cost effective offtake route for Columbus. The acquisition of an interest in Erskine, which also uses the facilities at Lomond, helps us with this process. We are therefore continuing with our efforts to seek a commercial solution which will provide an acceptable and proportionate commercial return to the Columbus partners whilst also providing the Lomond Operator with a reasonable return on its risk and investment.

The Wood Report, commissioned by DECC, focuses wholly on the problems experienced by the operators of smaller fields to gain access to infrastructure on terms which provide sufficient returns for the field partners. Implementation of this report, the findings of which DECC have accepted in full, will be fundamental to ensuring that small discoveries are not left stranded in the North Sea, particularly at a time of uncertainty in the security of energy supplies. Amongst other findings, the report advocates stronger co-operation and greater alignment between North Sea operators to open up greater sharing of facilities.

Our efforts to gain access to infrastructure related to Columbus are wholly in line with these findings of the Wood Report and are intended to lead to greater co-operation on infrastructure sharing. In the light of these findings, constructive negotiations have continued with the Lomond owner who has provided indicative commercial principles upon which they are prepared to negotiate with the Columbus owners with a view to reaching agreement on terms which are acceptable to both parties.

Falling oil prices in the second half of 2014 have an effect on the Columbus field economics, however more than two-thirds of the economic value of Columbus is derived from gas rather than condensate sales and expected reductions in field development costs will have an offsetting effect. UK gas prices have remained relatively strong compared to condensate prices (which are strongly linked to oil prices). The oil price fall has to some extent also been offset by UK tax changes. From 1 January 2015, the rate of Supplementary Charge (SC) will be 20 per cent – a further reduction of 10 percentage points in addition to the 2 percentage point cut announced in the Chancellor's Autumn Statement. This reduces the headline rate of tax from 62% to 50%.

The fall in oil prices has also led to reduced capital expenditure across the industry which in turn has already led to significant cost reductions throughout the supply chain. In particular, drilling rig costs have fallen significantly and lower rig rates will lead to significantly lower well costs for Columbus. Similarly, it is expected that future development capital and operating costs will also fall which should also assist the field economics. Consequently, given the complexities and the many moving parts involved, we expect negotiations with the Lomond owners to continue throughout 2015. The current licence expires in December 2015 and discussions have commenced with DECC to extend this.

Independent consultant Netherland, Sewell & Associates, Inc ("NSAI") carried out a reserves report on the Columbus field for the end of 2013. This report estimated that the gross Proved plus Probable Reserves of the field are 66.0 bcf of gas and 4.5 mmbbl of liquids, a total of 15.5 mmboe. Serica holds a 50% interest in those Columbus reserves lying in Block 23/16f. After providing for reserves lying in the adjacent Block, NSAI estimates the Company's share of proved and probable reserves in the field to be 21.9 bcf of sales gas and 1.5 mmbbl of liquids, a net 5.2 mmboe to Serica. The directors of Serica believe that in the current oil price environment, it is appropriate for these to now be properly considered as Contingent Resources rather than the previous categorisation as Reserves. In view of the re-classification and since no new information relating to the field was obtained in 2014, it was not considered cost effective or necessary to obtain an updated report at the end of 2014.

Exploration

Central North Sea: Block 22/19c

Block 22/19c is located approximately 20 kilometres to the west of Serica's Columbus field. Following the farm-out of an 85% interest to JX Nippon in 2012, Serica has a 15% interest in the block and has a full carry on this licence up to and including the drilling of an exploration well.

In 1H 2014 JX Nippon executed and completed an agreement with ENI for the latter to join the block as operator with a 50% interest.

The group has identified significant deep High Pressure High Temperature ("HPHT") potential in the Jurassic and Triassic and ENI bring considerable experience in HPHT technology. A site survey is expected to be acquired in 2016 in preparation for drilling an HPHT exploration well in 2017.

A Competent Person's Report ("CPR") conducted by NSAI and commissioned by Serica, has assessed the highest ranked prospect, Rowallan, to contain between a P_{90} of 40mmboe and a P_{10} of 243mmboe of unrisked prospective gross resources.

Central North Sea: Block 15/21g and 15/21a (part) – Spaniards Appraisal

Serica has a 21% interest in the amalgamated area of Block 15/21g and Block 15/21a (part). The focus of the 2014 work programme was to mature the Spaniards West prospect so that a decision can be made whether to drill another well or withdraw from the licence. This work has not resulted in an economically viable well proposal and so it is likely that Serica will exit this licence during 2015.

Southern North Sea: Blocks 47/2b (Split), 47/3g (Split), 47/7 (Split) & 47/8d (Part)

Serica has a 37.5% interest in these blocks which are operated by Centrica. These blocks are contiguous part blocks immediately adjacent to the producing York field, also operated by Centrica.

A number of gas prospects, including a possible extension to the York field, have been identified on the blocks at Leman (Permian) level with additional leads at Namurian (Carboniferous) level. The work obligation, comprising a 3D seismic acquisition survey and reprocessing of existing seismic data, has been completed. A drilling decision on one of the prospects will be made during 2015.

East Irish Sea: Block 110/8b

Serica has a 100% interest and operatorship of Block 110/8b. Interpretation of existing data has been completed and work is ongoing to complete the minor outstanding work programme commitments.

East Irish Sea: Blocks 113/26b and 113/27c - Doyle Prospect

In August 2014, following the receipt of the required approvals, the Company announced the completion of the agreement with Centrica, through Centrica's subsidiary Hydrocarbon Resources Limited ("HRL"), for the farm-out of UK East Irish Sea Blocks 113/26b and 27c. Under the agreement, HRL acquired an operated 45% interest in the licence, while Serica has retained 20%, in consideration for HRL bearing Serica's share of costs associated with the drilling of an exploration well up to a gross cap of £11 million.

A Triassic gas prospect, the Doyle prospect, lies in the north of Block 113/27c. A fault and dip closed structure; this prospect has been fully matured and is ready to drill. The site survey has been completed and the well was expected to be drilled in early 2015. However, the Operator of the block has now chosen not to drill the well in this timeframe.

DECC has agreed a nine month extension to Licence P1482 (to the end of December 2015) in order to allow the partnership to present a clear forward plan to drill the exploration well.

East Irish Sea: Block 113/22a

In November 2013 Serica was awarded a traditional licence in the 27th Offshore Licensing Round, announced by DECC. Block 113/22a in the East Irish Sea was awarded to a group in which Serica had a 35% operated interest.

This block is adjacent to Serica Block 113/27c and the farm-out agreement for Blocks 113/26b and 113/27c with Centrica noted above, extended to the new licence offered. Following the completion of the farm-out in August, Serica has a 20% interest both in the Block 113/22a and in Blocks 113/26b & 27c. The other participants in the licence award are HRL 45% (and operator), MPX Limited 25% and Agora Limited (a subsidiary of Cairn Energy) 10%.

The Doyle prospect in Block 113/27c is believed to extend into Block 113/22a.

Ireland

Frontier Exploration Licence 1/09: Blocks 5/17, 5/18, 5/22, 5/23, 5/27, and 5/28 - Muckish Prospects

Serica holds a 100% working interest in six blocks in this licence covering a total area of 993 square kilometres in the north-eastern part of the Rockall Basin off the west coast of Ireland.

A large exploration gas condensate prospect, Muckish, has been fully delineated from 3D seismic data in Blocks 5/22 and 5/23. Muckish is analogous to the nearby Dooish gas condensate discovery and provides material upside in a proven hydrocarbon basin. The evaluation of 3D seismic data coverage and the nearby Dooish gas-condensate discovery, give confidence in the potential of the prospect which covers an area of approximately 30 square kilometres with over 600 metres of vertical closure in a water depth of 1,450 metres. The NSAI CPR attributes P_{50} unrisked prospective resources of 677bcf (with a range from a P_{90} of 155bcf to a P_{10} of 3.4tcf) to the Muckish prospect with a geological risk factor of 26%.

It is Serica’s intention to find one or more farm-in partners prior to entering the next phase of the licence which would involve committing to the drilling of an exploration well. A data room was open in 2014 but economic concerns driven largely by falling oil prices mean that a farm-in partner has not yet been secured. In March 2015, Serica made a request to the Department of Communications, Energy and Natural Resource for a further two year extension to the first phase of the licence in order to allow time to complete the farm-out process. At the same time Serica also submitted a relinquishment proposal, retaining 39% of the licence area around the key prospect. Post relinquishment the licence will cover 364 square kilometres thus reducing the licence fees significantly.

Frontier Exploration Licence 4/13 - Blocks 11/10, 11/15, 12/1(part), 12/6 and 12/11(part) - Midleton and Derryveagh Prospects

In December 2013, following the initial two year period of the licence award, Serica converted Licence Option 11/01, also located in the Rockall Basin, into a full Frontier Exploration Licence ("FEL"). Following a mandatory 25% relinquishment at the time of the option conversion into FEL 4/13, the three blocks and two part blocks now cover an area of approximately 925 square kilometres.

The area covered by the licence contains two pre-Cretaceous fault block prospects, Midleton and West Midleton which are analogous to the proven gas-condensate bearing Dooish discovery lying immediately to the east. These complement and provide additional diversity to the Muckish prospect lying in Serica's acreage just to the north east and the award will enable a comprehensive exploration programme covering the Muckish and Midleton prospects.

2D and 3D seismic reprocessing work and other geological studies have firmed up these pre-Cretaceous prospects and have also identified the Derryveagh Prospect, a deepwater fan supported by a seismic anomaly. The Derryveagh prospect overlies the Midleton prospect and so could be penetrated by a single dual objective well.

Frontier Exploration Licence 01/06: Blocks 27/4 (part), 27/5 (part) and 27/9 (part) - Liffey & Boyne Prospects

Licence FEL 1/06 covers an area of approximately 305 square kilometres in the Slyne Basin off the west coast of Ireland. Serica (operator) holds a 50% interest in three blocks which lie some 40 kilometres south of the Corrib discovery, which has reserves of approximately 800 bcf of gas.

In 2009 Serica drilled a well (Bandon) on the blocks and found a new oil play in a shallow high quality Jurassic reservoir, the Bandon discovery. Deeper prospects, such as the Boyne and Liffey prospects, have been identified with the potential for commercial accumulations.

The Company, in partnership with RWE, has launched a farm-out campaign to follow up on the 2009 Bandon oil discovery made by Serica. Subject to identifying a suitable partner or partners a well is targeted to be drilled on the Boyne prospect in 2016.

The Irish authorities commissioned a Wood Mackenzie report into the fiscal regime; the results of the review were announced on 18 June 2014. This was considered to have a delaying effect on the farm-out market as companies awaited its recommendations. The recommendations to increase the maximum rate of tax applying to new licences from 40% to 55%, importantly do not apply to existing licences (such as 01/06).

NSAI in their CPR attribute P_{50} gross unrisked prospective resources (for the combined Jurassic and Triassic objectives in Boyne and Liffey) of 215mmboe (with a range from a P_{90} of 56mmboe to a P_{10} of 824mmboe).

Namibia

Luderitz Basin: Blocks 2512A, 2513A, 2513B and 2612A (part)

Serica has an 85% interest in a Petroleum Agreement covering Blocks 2512A, 2513A, 2513B and 2612A (part) in the Luderitz Basin, offshore Namibia in partnership with The National Petroleum Corporation of Namibia (Pty) Limited ("NAMCOR") and Indigenous Energy (Pty) Limited. The blocks lie in the centre of the basin and cover a total area of approximately 17,400 square kilometres.

Interpretation of the 4,180 square kilometre 2012 3D seismic survey undertaken by Serica helped delineate the size and nature of Prospect B, one of three large structures identified on the licence at Lower Cretaceous (Barremian) level, and to examine prospectivity at shallower levels.

The results of this work confirmed Prospect B as having the clear characteristics of a large carbonate platform extending over 700 square kilometres with a vertical closure of up to 300 metres. The expectation of a predominantly carbonate structure has been reinforced by third party drilling elsewhere in Namibia which has proven the presence of large structures with associated carbonate build-up at Lower Cretaceous level.

An independent assessment of the unrisked prospective resources contained in our Namibian licence has been performed by NSAI and covers prospects which have been mapped from early 2D seismic as well as the highly detailed 3D. This CPR recognises the multi-prospect nature of the licence and gives a combined best estimate of gross unrisked prospective oil resources associated with 7 prospects and 2 leads identified on licence of 2,297 million barrels and 437 million barrels respectively. It also states that Prospect B at the primary Barremian level alone contains P_{50} unrisked prospective recoverable oil resources of 623 million barrels (with a P_{90} to P_{10} range of 138 million to 2.81 billion barrels). The report gives a geological risk factor of 16%.

In 1H 2014 Serica commenced a farm-out process to attract one or more new partners to enter the Joint Venture arrangement. However the farm-out market in Namibia has been extremely challenging due to the fall in oil price and also due to the negative market sentiment caused by the lack of commercial success encountered in recent wells drilled by other operators in Namibia. These wells have all been in different basins from the Serica acreage and have limited geological significance for our prospects.

In September 2014, the Ministry of Mines and Energy granted Serica a one year extension to the licence in order to allow more time to complete the farm-out process and secure a partner to commit to an exploration well on the licence. If a farm-in partner has not been secured by Q4 2015 then a further extension to the licence may be sought.

Morocco

Sidi Moussa and Foum Draa Petroleum Agreements

Serica holds licence interests in the Sidi Moussa and adjacent Foum Draa Petroleum Agreements offshore Morocco. The blocks cover a total area of approximately 8,375 square kilometres in the sparsely explored Tarfaya-Ifni Basin and extend from the Moroccan coastline into water depths reaching a maximum of 2,000 metres. The Tarfaya-Ifni Basin is geologically analogous to the oil producing salt basins of West Africa. Under the terms of the licence agreements the participants are required to carry the State oil company ONHYM for a 25% interest through the exploration and appraisal phase. Both licences are currently in the First Extension Period, which entailed the drilling of a commitment well in each block.

Sidi Moussa
Serica has a 5% working interest in the Sidi Moussa licence and cost exposure is considerably limited under a farm-out agreement whereby the operator Genel carried Serica's retained 5% working interest and the associated share of the state oil company interest for the first US$50million of gross well costs. The rig *Noble Paul Romano* was contracted by Genel and the SM-1 well spudded on 30th July 2014 to evaluate the Nour prospect. The well was drilled to a total depth of 2,825 metres and encountered oil in fractured and brecciated cavernous Upper Jurassic carbonates. During the course of drilling and well control operations, 26 degree API oil was produced to surface with the drilling fluids. A subsequent testing programme confirmed the presence of oil but it was not possible to achieve all of the objectives of the testing programme, most likely as a

consequence of the significant reservoir damage suffered during the earlier well control operations.

The forward work programme is to complete the interpretation of the well data and to integrate the results with existing subsurface models. This programme is being completed in a cost-effective manner and will result in a decision on whether to continue in this licence, by Q3 2015.

Foum Draa
Following a farm-out to Cairn Energy, Serica has an 8.33% interest in the Foum Draa licence and in late 2013 the FD-1 well was drilled. Although commercial hydrocarbons and clastic reservoir rocks were not found, gas shows were encountered indicating an active thermogenic petroleum system. The well was plugged and abandoned. Under the terms of the 2012 farm out agreement Serica was carried by Cairn for its share of drilling costs up to a gross well cost of US$60 million.

The group is now evaluating the valuable data recovered from the well and will soon agree on a forward plan for the licence. It is likely that Serica will exit this licence.

Norway

Serica has an economic interest in the development of the Vette (formerly *Bream*) field and is due a payment (related to oil price) at first production. In their 2014 Annual Report, the Operator, Premier, stated that FEED work on the Vette FPSO development was successfully completed during 2014. However, following the sharp reduction in the oil price, they have chosen to defer the final investment decision until the end of 2015, enabling re-engagement with the supply chain with the aim of negotiating lower costs for the project.

LICENCE HOLDINGS

The following table summarises the Company's licences as at 31 December 2014.

Block(s)	Description	Role	% at 31/12/14	Location
UK				
15/21g	Exploration	Non-operator	21%	Central North Sea
15/21a (part)	Exploration	Non-operator	21%	Central North Sea
22/19c	Exploration	Non-operator	15%	Central North Sea
23/16f	Columbus Field - Development planned	Operator	50%	Central North Sea
47/2b (split)	Exploration	Non-operator	37.5%	Southern North Sea
47/3g (split)	Exploration	Non-operator	37.5%	Southern North Sea
47/7 (split)	Exploration	Non-operator	37.5%	Southern North Sea
47/8d (part)	Exploration	Non-operator	37.5%	Southern North Sea
110/8b	Exploration	Operator	100%	East Irish Sea
113/26b	Exploration	Non-operator	20%	East Irish Sea
113/27c	Exploration	Non-operator	20%	East Irish Sea
113/22a	Exploration	Non-operator	20%	East Irish Sea
Ireland				
27/4 (part)	Exploration	Operator	50%	Slyne Basin
27/5 (part)	Exploration	Operator	50%	Slyne Basin
27/9 (part)	Exploration	Operator	50%	Slyne Basin
5/17	Exploration	Operator	100%	Rockall Basin
5/18	Exploration	Operator	100%	Rockall Basin
5/22	Exploration	Operator	100%	Rockall Basin
5/23	Exploration	Operator	100%	Rockall Basin
5/27	Exploration	Operator	100%	Rockall Basin
5/28	Exploration	Operator	100%	Rockall Basin
11/10	Exploration	Operator	100%	Rockall Basin
11/15	Exploration	Operator	100%	Rockall Basin
12/1 (part)	Exploration	Operator	100%	Rockall Basin
12/6	Exploration	Operator	100%	Rockall Basin
12/11 (part)	Exploration	Operator	100%	Rockall Basin
Namibia				
2512A	Exploration	Operator	85%	Luderitz Basin
2513A	Exploration	Operator	85%	Luderitz Basin
2513B	Exploration	Operator	85%	Luderitz Basin
2612A (part)	Exploration	Operator	85%	Luderitz Basin
Morocco				
Foum Draa	Exploration	Non-operator	8.3333%	Tarfaya-Ifni Basin
Sidi Moussa	Exploration	Non-operator	5%	Tarfaya-Ifni Basin

GLOSSARY

bbl	barrel of 42 US gallons
bcf	billion standard cubic feet
boe	barrels of oil equivalent (barrels of oil, condensate and LPG plus the heating equivalent of gas converted into barrels at a rate of 6,000 standard cubic feet per barrel)
DECC	Department of Energy & Climate Change
FEED	Front End Engineering Design
FPSO	Floating, production, storage and offloading unit
HPHT	High pressure high temperature
mscf	thousand standard cubic feet
mmbbl	million barrels
mmboe	million barrels of oil equivalent
mmscf	million standard cubic feet
mmscfd	million standard cubic feet per day
P_{10}	A high estimate that there should be at least a 10% probability that the quantities recovered will actually equal or exceed the estimate
P_{50}	A best estimate that there should be at least a 50% probability that the quantities recovered will actually equal or exceed the estimate
P_{90}	A low estimate that there should be at least a 90% probability that the quantities recovered will actually equal or exceed the estimate
Proved Reserves	Proved reserves are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
Probable Reserves	Probable reserves are those additional Reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.
Possible Reserves	Possible reserves are those additional Reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves
Reserves	Estimates of discovered recoverable commercial hydrocarbon reserves calculated in accordance with the Canadian National Instrument 51-101
Contingent Resources	Estimates of discovered recoverable hydrocarbon resources for which commercial production is not yet assured, calculated in accordance with the Canadian National Instrument 51-101
Prospective Resources	Estimates of the potential recoverable hydrocarbon resources attributable to undrilled prospects, calculated in accordance with the Canadian National Instrument 51-101
TAC	Technical Assistance Contract
tcf	trillion standard cubic feet

FINANCIAL REVIEW

The Group entered 2014 having recently completed a financing providing additional funding ready for the Group's exploration programme from 1H 2014 and to support further business growth.

The completion of the Erskine acquisition is expected imminently and will bring a significant new revenue stream comprising sales of oil, gas and other liquids. This transaction is covered in more detail below.

Results from operations

Following the cessation of production and the decommissioning of the Kambuna field facilities in the second half of 2013, the financial results of the Kambuna field business segment are disclosed within 'discontinued operations' in the financial statements and separate from the results of the retained core business segments. A high level summary of the income statement results for continuing and discontinued operations is given below.

<u>Income statement – continuing operations</u>

The Company generated a loss before tax from continuing operations of US$35.6 million for 2014 compared to a loss before tax of US$5.1 million for 2013. The significant increase in loss for the year is due to the impairment charge of US$30.0 million against certain exploration and evaluation ('E&E') assets noted below.

The aggregate E&E asset impairment charge in 2014 is largely comprised from asset write offs from the Sidi Moussa (US$7.4 million) and Foum Draa (US$5.0 million) licences in Morocco, and a US$17.5 million pre-tax impairment recorded against E&E assets related to the Columbus field asset.

Management currently sees limited prospectivity on the Foum Draa block and given it will not be funding any significant work on the licence has writen off the costs incurred. Whilst interpretation of the Sidi Moussa well data is ongoing, there are no plans to fund significant future expenditure on this block and the costs have also been written off. The partial impairment recorded against Columbus book amounts has arisen from revised economic evaluations, the primary factor being the use of lower hydrocarbon prices in management's estimation of future discounted cash flows of the asset.

Other minor asset write offs in 2014 and 2013 included costs from relinquished licences and obsolete inventory amounts.

Pre-licence expenditure of US$0.5 million for 2014 was slightly increased from the 2013 charge of US$0.3 million. Pre-licence costs included direct costs and allocated general administrative costs incurred on oil and gas activities prior to the award of licences, concessions or exploration rights.

Administrative expenses of US$4.3 million for 2014 decreased from US$4.5 million for 2013. The Company has worked to reduce overhead in recent years which gave an underlying benefit in 2014 despite an adverse impact on US$ charges from the £ sterling exchange rate in 2014 against 2013. Following the recent severe drop in oil prices and consequent impact upon the financial resources available to companies such as Serica, management has reviewed all of its expenditure commitments and reduced its personnel, office and other costs substantially effective 1H 2015.

<u>Income statement - discontinued operations</u>

Serica generated a loss from discontinued operations of US$0.5 million for the year ended 31 December 2014 (2013: profit of US$0.1 million) arising from its previously held 25% interest in the Kambuna field. Field production ceased in July 2013, the facilities were decommissioned in 2H 2013 and the Glagah Kambuna TAC was formally terminated in December 2013. The loss for 2014 comprised a final assessment for asset write offs and minor operator expense as residual matters are closed out.

Balance Sheet

During 2014, the total carrying value of investments in E&E assets decreased by US$16.8 million from US$74.6 million to US$57.8 million. This decrease consisted of the significant impairment charge noted above of US$30.0 million from the Columbus asset in the UK (US$17.5 million) and asset write-offs in Morocco (US$12.4 million) and UK (US$0.1 million), offset by US$13.2 million of additions in the year.

The more significant exploration costs in the year were incurred on the following assets:

In Africa, US$7.3 million was capitalised on the Sidi Moussa licence in Morocco (largely consisting of dry hole expenditure, above a capped carry, and subsequent testing costs of the SM-1 well drilled in 2H 2014) and US$2.1 million was capitalised on the Foum Draa licence in Morocco (largely consisting on the costs of the FD-1 well drilled in Q4 2013 where operations continued into January 2014). A further US$1.4 million was incurred in respect of the Luderitz basin licence interests in Namibia.

In the UK, US$0.6 million was incurred on the Greater York interests in the Southern North Sea, Columbus development and other exploration licences. In Ireland, US$0.8 million was incurred on exploration work on the Rockall licences and US$0.3 million on the Slyne interest.

Long-term other receivables of US$0.2 million are represented by the final amounts from Kambuna operations that are expected to be recovered from the Indonesian authorities.

Trade and other receivables at 31 December 2014 totalled US$2.4 million, a decrease of US$1.5 million from the 2013 balance of US$3.9 million. The fall is mainly attributable to the recovery during the period of Indonesian trade debtors and a drop in Kambuna JV partner recoverables as activity on the asset closed out.

Cash and cash equivalents decreased from US$26.1 million to US$9.9 million during the year. The most significant cash outflows on E&E assets were incurred in Morocco on the 2H 2014 SM-1 well (US$5.3 million) and settlement of the final costs of the 2013 FD-1 exploration well (US$3.5 million). Other costs included work across the portfolio in Namibia, the UK & Ireland, together with new venture Erskine acquisition costs, ongoing administrative costs and corporate activity.

Trade and other payables totalled US$4.0 million at 31 December 2014 and include US$2.0 million from the Sidi Moussa well drilled in Morocco in 2H 2014. This is reduced from the 2013 year-end balance of US$4.4 million which included US$1.7 million of liabilities from the Foum Draa well drilling in Morocco and US$1.1 million from the Kambuna field operations and decommissioning.

Erskine acquisition

The Company expects to complete imminently the acquisition of an 18% interest in UK blocks 23/26a (Area B) and 23/26b (Area B) containing the Erskine Field, from BP.

Under the terms of the transaction, the base cash consideration to BP amounts to US$11.1 million in cash plus 13.5 million Serica new Ordinary Shares (the "Consideration Shares"), a reduced number of shares due to the impact of certain interim period adjustments. 25% of the cash consideration will be settled at completion with the remaining 75% payable in three equal tranches on 1 July 2016, 1 July 2017 and 1 July 2018 respectively.

The net cash of US$9 million to be received by Serica at completion will result from the impact of certain working capital and interim period adjustments between 1 January 2014, the Effective Date of the transaction, and the completion date. This cash will be available to cover certain operational liabilities as they fall due.

The Consideration Shares to be allotted to BP on completion of the transaction will rank pari passu with existing Serica Ordinary Shares. BP has agreed to hold the shares as an investment for a period not less than one year with any subsequent sales subject to standard orderly market provisions.

The transaction provides Serica with an immediate and long term cash flow stream. Net production for the year 2014 accruing to the interest acquired was 317,000 boe given significant periods of shutdown to meet planned maintenance programmes.

Provision for decommissioning at the end of field life has been provided for on the basis that Serica's estimate of decommissioning costs relating to the asset acquired will be met by BP, on an inflation adjusted basis, with Serica being responsible for any costs above this level. The terms of the Sale and Purchase Agreement also provide for certain future contingent payments to be made by Serica in the event that operating costs for the field fall below current projections.

The transaction is tax efficient for Serica, accelerating recovery of both past and future tax losses in the UK, and is in line with Serica's strategy to unlock the value of its existing assets and build a platform from which it can generate future growth.

The Erskine Field is a producing gas and gas condensate field operated by Chevron and is estimated by the Company to have remaining reserves net to the interest acquired of approximately 3.6 mmboe, effective 1 January 2014. Fluids from the field are transported from the Erskine platform (a normally unmanned wellhead platform) to the BG-operated Lomond platform where they are processed and gas is delivered via the CATS pipeline system to the terminal at Teeside. Up to 60% of the gas is purchased by SSE on formula contract prices and the balance is sold in the market at spot prices. The condensate separated at the Lomond platform is delivered via the Forties pipeline to Cruden Bay.

The field recommenced production in late May 2015 following an extended period of shut-in for maintenance.

Cash balances and future commitments

<u>Current cash position, capital expenditure commitments and other obligations</u>

At 31 December 2014, the Group held cash and cash equivalents of US$9.9 million. Following the completion of the Erskine interest acquisition in early June 2015, cash and cash equivalents held are expected to increase to US$14.5 million, after the cash receipt by Serica under the final SPA terms for settlement.

<u>*Erskine field commitments*</u>
Net revenues from the Erskine field are expected to assist Serica in building its cash resources over the coming months and years. The Group will have obligations to pay to BP the three remaining 25% tranches of US$2.775 million (excluding interest) cash consideration on 1 July 2016, 1 July 2017 and 1 July 2018 respectively. In addition the Group is likely to fund further significant expenditure later in 2015 for its share of remedial and upgrade work on the Lomond processing facilities.

Management believe these are sufficient resources to meet the current committed programme for 2015 and 2016 but remains conscious that a single field income stream exposes it to operational and infrastructure risks and the consequent need for adequate working capital to cover associated fluctuations in revenue. The field has a history of intermittent production performance and operational expenditure continues during periods of field shut-down when no revenue is earned.

Non-Erskine commitments
The Group has no significant exploration commitments. The two exploration commitment wells on the Morocco licences have now been drilled. On the Company's Namibian licence, the value of work performed to date by the JV partners on the 3D Seismic acquisition programme has exceeded the minimum obligation expenditure on exploration work of US$15.0 million covering the entire initial four-year period of the licence, ending in December 2015.

In the UK East Irish Sea, the Group's carry on the exploration well on the Doyle prospect is subject to a cap although no overrun is currently forecast. The Group has no significant commitments on its other exploration licences.

The Company will continue to give priority to the careful management of existing financial resources. Although a key objective for the Group is to get the Columbus development back on track, the Group would seek to use alternative means of finance to fund its share of development costs.

Other

Asset values and Impairment

At 31 December 2014 Serica's market capitalisation stood at US$19.4 million (£12.5 million), based upon a share price of £0.0499, which was exceeded by the net asset value at that date of US$66.3 million. By 28 May 2015 the Company's market capitalisation had decreased to US$18.0 million. Management conducted a thorough review of the carrying value of the Group's assets and determined that no significant write-downs were required other than those noted above.

Business Risk and Uncertainties

Serica, like all companies in the oil and gas industry, operates in an environment subject to inherent risks and uncertainties. The Board regularly considers the principal risks to which the Company is exposed and monitors any agreed mitigating actions. The overall strategy for the protection of shareholder value against these risks is to retain a broad portfolio of assets with varied risk/reward profiles, to apply prudent industry practice in all operations, to carry insurance where available and cost effective, and to retain adequate working capital.

The principal risks currently recognised and the mitigating actions taken by the management are as follows:

Investment Returns: Management seeks to raise funds and then to generate shareholder returns though investment in a portfolio of exploration acreage leading to the drilling of wells and discovery of commercial reserves. Delivery of this business model carries a number of key risks.	
Risk	**Mitigation**
Market support may be eroded obstructing fundraising and lowering the share price	• Management regularly communicates its strategy to shareholders • Focus is placed on building an asset portfolio capable of delivering regular news flow and offering continuing prospectivity
General market conditions may fluctuate hindering delivery of the Company's business plan	• Management aims to retain adequate working capital to ride out downturns should they arise
Management's decisions on capital allocation may not deliver the expected successful outcomes	• Rigorous analysis is conducted of all investment proposals • Operations are spread over a range of areas and risk profiles
Each asset carries its own risk profile and no outcome can be certain	• Management aims to avoid over-exposure to individual assets and to identify the associated risks objectively

Operations: Operations may not go according to plan leading to damage, pollution, cost overruns or poor outcomes.	
Risk	**Mitigation**
Individual wells may not deliver recoverable oil and gas reserves	• Thorough pre-drill evaluations are conducted to identify the risk/reward balance • Exposure is selectively mitigated through farm-out
Wells may blow out or equipment may fail causing environmental damage and delays	• The Group retains fully trained and experienced personnel • The planning process involves risk identification and establishment of mitigation measures • Emphasis is placed on engaging experienced contractors • Appropriate insurances are retained
Operations may take far longer or cost more than expected	• Management applies rigorous budget control • Adequate working capital is retained to cover reasonable eventualities
Production may be interrupted generating	• Business interruption cover will be

significant revenue loss	considered when appropriate
Resource estimates may be misleading and exceed actual reserves recovered	• The Group deploys qualified personnel • Regular third-party reports are commissioned • A prudent range of possible outcomes are considered within the planning process

Personnel: The company relies upon a pool of experienced and motivated personnel to identify and execute successful investment strategies	
Risks	**Mitigation**
Key personnel may be lost to other companies	• The Remuneration Committee regularly evaluates incentivisation schemes to ensure they remain competitive • The Company seeks to build depth of experience in all key functions to ensure continuity
Personal safety may be at risk in demanding operating environments, typically offshore	• A culture of safety is encouraged throughout the organisation • Responsible personnel are designated at all appropriate levels • The Group maintains up-to-date emergency response resources and procedures • Insurance cover is carried in accordance with industry best practice
Staff and representatives may find themselves exposed to bribery and corrupt practices	• Company policies and procedures are communicated to personnel regularly • Management reviews all significant contracts and relationships with agents and governments

Commercial environment: World and regional markets continue to be volatile with fluctuations and infrastructure access issues that might hinder the company's business success	
Risk	**Mitigation**
Volatile commodity prices mean that the company cannot be certain of the future sales value of its products	• Price mitigation strategies may be employed at the point of major capital commitment • Gas may be sold under long-term contracts reducing exposure to short term fluctuations • Oil and gas price hedging contracts may be utilised where viable • Budget planning considers a range of commodity pricing
The Company may not be able to get access, at reasonable cost, to infrastructure and product markets when required	• A range of different off-take options are pursued wherever possible
Credit to support field development programmes may not be available at reasonable cost	• Serica seeks to build and maintain strong banking relationships and initiates funding discussions at as early a stage as practicable
Fiscal regimes may vary, increasing	• Operations are currently spread

effective tax rates and reducing the expected value of reserves	over a range of different fiscal regimes in Western Europe and Africa • Before committing to a significant investment the likelihood of fiscal term changes is considered when evaluating the risk/reward balance

In addition to the principal risks and uncertainties described herein, the Company is subject to a number of other risk factors generally, a description of which is set out in our latest annual information form available on www.sedar.com.

Key Performance Indicators ("KPIs")

The Company's main business is the acquisition of interests in prospective exploration acreage, the discovery of hydrocarbons in commercial quantities and the crystallisation of value whether through production or disposal of reserves. The Company tracks its non-financial performance through the accumulation of licence interests in proven and prospective hydrocarbon producing regions, the level of success in encountering hydrocarbons and the development of production facilities. In parallel, the Company tracks its financial performance through management of expenditures within resources available, the cost-effective exploitation of reserves and the crystallisation of value at the optimum point. A review of the Company's progress against these KPIs is covered in the operations and financial review within this Strategic Report.

Additional Information

Additional information relating to Serica, can be found on the Company's website at www.serica-energy.com and on SEDAR at www.sedar.com

The Strategic Report has been approved by the Board of Directors.

On behalf of the Board
Christopher Hearne
Finance Director

29 May 2015

Forward Looking Statements

This disclosure contains certain forward looking statements that involve substantial known and unknown risks and uncertainties, some of which are beyond Serica Energy plc's control, including: the impact of general economic conditions where Serica Energy plc operates, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. Serica Energy plc's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that Serica Energy plc will derive therefrom.

DIRECTORS' REPORT

The Directors of the Company present their report and the Group financial statements of Serica Energy plc ("Serica" or the "Company") for the year ended 31 December 2014.

Principal Activities

The principal activity of the Company and its subsidiary undertakings (the "Group") is to identify, acquire, explore and subsequently exploit oil and gas reserves. Its current activities are located in the United Kingdom, Ireland, Namibia and Morocco.

Business Review and Future Developments

A review of the business and the future developments of the Group is presented in the Strategic Report (including a Review of Operations and Financial Review) and Chairman's Statement (all of which, together with the Corporate Governance Statement, are incorporated by reference into this Directors' Report).

Results and Dividends

The loss for the year was US$36,076,000 (2013: loss US$5,008,000).

The Directors do not recommend the payment of a dividend (2013: US$nil).

Financial Instruments

The Group's financial risk management objectives and policies are discussed in note 22.

Events Since Balance Sheet Date

Events since the balance sheet date are included in note 29.

Directors and their Interests

The following Directors have held office in the Company since 1 January 2014:

Antony Craven Walker
Christopher Hearne
Neil Pike
Mitchell Flegg
Ian Vann
Steven Theede
Jeffrey Harris

The Directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company according to the register of Directors' interests:

	Class of share	**Interest at end of year**	**Interest at start of year**
Antony Craven Walker (1)	Ordinary	7,829,916	7,829,916
Christopher Hearne	Ordinary	1,135,986	1,051,613
Mitchell Flegg	Ordinary	385,833	301,463
Neil Pike (2)	Ordinary	505,000	505,000
Ian Vann	Ordinary	267,935	267,935
Steven Theede	Ordinary	749,485	749,485
Jeffrey Harris (3)	Ordinary	46,090,576	46,090,576

1. 4,207,078 ordinary shares were held by Antony Craven Walker, 2,241,732 ordinary shares were held by Christine Elizabeth Walker and 1,381,106 by Rathbones (pension funds).

2. 190,000 ordinary shares are held by Romayne Pike and 185,000 ordinary shares by Luska Limited.

3. 46,090,576 ordinary shares are held by GRG UK Oil LLC who are represented on the Board by Jeffrey Harris.

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of other Group companies.

No rights to subscribe for shares in or debentures of Group companies were granted to any of the Directors or their immediate families, or exercised by them, during the financial year except as indicated below:

The Directors are interested in share options held by them pursuant to the terms of the Serica Energy Corporation option plan (a summary of which is set out in note 25) as follows:

	1/1/14	Granted	Expired	31/12/14	Exercise Price Cdn$	Date of grant	Expiry date
C Hearne	600,000	-	-	600,000	1.00	17/01/05	16/01/15
	100,000	-	-	100,000	1.80	15/06/05	14/06/15

The options above have fully vested.

The following Directors are also interested in share options held by them pursuant to the terms of the Serica Energy plc Share Option Plan 2005 ("Serica 2005 Option Plan") (a summary of which is set out in note 25) as follows:

	1/1/14	Granted	Expired	31/12/14	Exercise Price £	Date of grant	Expiry date
C Hearne	103,000	-	-	103,000	0.97	23/11/05	22/11/15
	7,000	-	-	7,000	0.97	23/11/05	22/11/15
	350,000	-	-	350,000	0.82	31/03/08	30/03/18
	675,000	-	-	675,000	0.68	11/01/10	10/01/20
	200,000	-	-	200,000	0.314	05/04/11	04/04/21
	402,190	-	-	402,190	0.214	11/01/12	10/01/22
	400,000	-	-	400,000	0.29	08/10/12	07/10/22
	-	600,000	-	600,000	0.13	30/01/14	29/01/24
M Flegg	270,000	-	-	270,000	0.96	12/06/06	11/06/16
	150,000	-	-	150,000	1.02	11/01/07	10/01/17
	210,000	-	-	210,000	0.75	14/03/08	13/03/18
	66,000	-	(66,000)	-	0.32	05/01/09	04/01/14
	225,000	-	-	225,000	0.68	11/01/10	10/01/20
	200,000	-	-	200,000	0.314	05/04/11	04/04/21
	326,750	-	-	326,750	0.214	11/01/12	10/01/22
	400,000	-	-	400,000	0.29	08/10/12	07/10/22
	-	600,000	-	600,000	0.13	30/01/14	29/01/24

Options granted prior to December 2009 vest as to one third on each of the first, second and third anniversaries of grant in line with the practice for companies listed in Toronto which applied at the date of grant. Options awarded since December 2009 have a three year vesting period.

Under the Serica 2005 Option Plan, when awarding options to directors, the Remuneration Committee is required to set Performance Conditions, in addition to the vesting provisions, before vesting can take place. In summary the Performance Conditions are as follows:

In respect of the options granted in November 2005, the director may only exercise those options on condition that the Serica share price on a 30 day moving average basis prior to 23 November 2015 has reached at least 200p.

In respect of the options granted in March 2008, the director may only exercise those options on condition that the Serica share price on a 30 day moving average basis prior to 30 March 2018 has reached at least 200p.

In respect of the options granted in January 2010, the vesting of the options is subject to Serica share price Performance Conditions measured against a selected peer group initially consisting of Antrim Energy Inc., Aurelian Oil & Gas plc (Aurelian), Bowleven plc, Falkland Oil & Gas Limited, Faroe Petroleum plc, Gulfsands Petroleum plc, Ithaca Energy Inc, Northern Petroleum plc, Petroceltic International plc, Providence Resources plc, Regal Petroleum plc and Valiant Petroleum plc (Valiant). The Performance Conditions are as follows:

- 40% of options to vest in the event that the Company outperforms the 25^{th} percentile of peer group performance over any 1 year period
- 80% of options to vest in the event that the Company outperforms the 50^{th} percentile of peer group performance over any 1 year period
- 100% of options to vest in the event that the Company outperforms the 75^{th} percentile of peer group performance over any 1 year period

The peer group of comparator companies is subject to change by the Remuneration Committee should the Remuneration Committee feel that the group no longer comprises a meaningful peer group comparator as the result, for example, of a significant change in the Company or one or more of the peer group companies ceasing to be quoted on a recognised exchange. Regal Petroleum plc (Regal) was replaced by Dominion Petroleum plc (Dominion) following Regal's acquisition by Energees Management Limited and Dominion was replaced by Chariot Oil and Gas Limited (Chariot) following Dominion's acquisition by Ophir Energy plc. Aurelian ceased to be quoted on a recognised exchange in January 2013 and Valiant merged with Ithaca Energy Inc in April 2013. Following these events Aurelian and Valiant are no longer included in the peer group of comparator companies and have not been replaced.

In respect of the options granted in April 2011, the director may only exercise those options on condition that either of the following Performance Conditions is satisfied:

- Achievement of full year post-tax, audited profit for the Serica Energy group of companies; and/or
- Successful achievement of a merger or acquisition or other similar corporate event approved by the Board of Directors of the Company which, in the view of the Remuneration Committee, would create greater diversity and scope for the Company.

In respect of the options granted in January 2012 and October 2012, the vesting of the options is subject to Serica share price Performance Conditions measured against a selected peer group initially consisting of Antrim Energy Inc., Aurelian Oil & Gas plc, Bowleven plc, Chariot Oil and Gas Limited, Falkland Oil & Gas Limited, Faroe Petroleum plc, Gulfsands Petroleum plc, Ithaca Energy Inc, Northern Petroleum plc, Petroceltic International plc, Providence Resources plc and Valiant Petroleum plc. The Performance Conditions are as follows:

- 40% of options to vest in the event that the Company outperforms the 25^{th} percentile of peer group performance over any 1 year period
- 80% of options to vest in the event that the Company outperforms the 50^{th} percentile of peer group performance over any 1 year period
- 100% of options to vest in the event that the Company outperforms the 75^{th} percentile of peer group performance over any 1 year period

The peer group of comparator companies is subject to change by the Remuneration Committee should the Remuneration Committee feel that the group no longer comprises a meaningful peer group comparator as the result, for example, of a significant change in the Company or one or more of the peer group companies ceasing to be quoted on a recognised exchange. Aurelian ceased to be quoted on a recognised exchange in January 2013 and Valiant merged with Ithaca Energy Inc in April 2013. Following these events Aurelian and Valiant are no longer included in the peer group of comparator companies and have not been replaced.

Auditor

A resolution to reappoint Ernst & Young LLP, as auditor will be put to the members at the annual general meeting.

Disclosure of information to auditors

The directors who were members of the Board at the time of approving the Directors' Report are listed above. So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he is obliged to take as a director in order to made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Board

Christopher Hearne
Director
29 May 2015

CORPORATE GOVERNANCE STATEMENT

The Board of Directors fully endorses the importance of sound corporate governance. Serica is incorporated in the United Kingdom. During 2014 its shares were traded on both the AIM market of the London Stock Exchange ("AIM") and on the Toronto Stock Exchange in Canada ("TSX"). On 17 March 2015, the Company announced that it had applied for voluntary delisting of its ordinary shares from the TSX. This was because the directors believed that the minimal trading activity of Serica's shares on the TSX no longer justified the expenses and administrative efforts associated with maintaining its dual listing, with Serica's AIM listing providing its shareholders with sufficient liquidity. The Company's shares were formally delisted from the TSX at the close of trading on 31 March 2015. After this date Serica's shares continue to trade solely on AIM under its ticker SQZ.

The code of practice followed for companies incorporated in the United Kingdom and listed on the premium sector of the Main Market of the London Stock Exchange is set out in the UK Corporate Governance Code (the "UK Code"). It is not compulsory for companies whose shares are traded on the AIM market but the Board applies those principles of the UK Code to the extent that it considers it reasonable and practical to do so given the size and nature of the Company.

Although the Company has now delisted from the TSX, the Company is still considered to be a reporting issuer in a number of Canadian provinces. The corporate governance guidelines applying to reporting issuers in Canada are set out under Ontario Securities Commission National Policy 58-201 (the "Corporate Governance Guidelines"). The Company is a 'designated foreign issuer' as defined under National Instrument 71-1-2- Continuous Disclosure and Other Exemptions Relating to Foreign Issuers. The Company is subject to the foreign regulatory requirements of the AIM Market of the London Stock Exchange.

The disclosures below explain the composition of, role and responsibilities of the Board and the Board Committees.

The Board and its Committees

The Board of the Company currently consists of two Executive Directors, four non-Executive Directors and the Chairman of the Board who has been acting as Interim CEO since April 2011. With effect from 1 June 2015, the Chairman will take the role of Executive Chairman following the departure of the two Executive directors. One of the non-Executive Directors will be stepping down at the conclusion of the 2015 annual General Meeting. With effect from 1 July 2015, the Board will therefore comprise the Executive Chairman and three non-Executive Directors, one of whom holds the position of Senior Independent Director. It is recognised that further Board restructuring will be required in due course once the Company has achieved its short term strategic goals. All the non-Executive Directors and the Chairman are independent in character and judgement and have the range of experience and calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group.

The Board retains full and effective control over the Company. The Company holds regular Board meetings at which financial, operational and other reports are considered and, where appropriate, voted on. The Board is responsible for the Group's strategy, performance, key financial and compliance issues, approval of any major capital expenditure and the framework of internal controls. The matters reserved for the Board include, amongst others, approval of the Group's long term objectives, policies and budgets, changes relating to the Group's management structure, approval of the Group's annual report and accounts and ensuring maintenance of sound systems of internal control.

There is a clearly defined organisational structure with lines of responsibility and delegation of authority to executive management. The Board is responsible for monitoring the activities of the executive management. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities. In the event of an equality of votes at a meeting of the Board, the Chairman has a second or casting vote. The Board believes that there has been an adequate balance between the non-Executive and Executive Directors, both in number and in experience and expertise, to ensure that the Board operates independently of executive management. Details of the recent Board changes are disclosed in the Chairman's Report. There is no formal Board performance appraisal system in place but the Corporate Governance and Nomination Committee considers this as part of its remit.

Other than Jeffrey Harris who represents Global Reserve Group, the Company's largest shareholder, all of the non-Executive Directors meet the requirements of independence prescribed in the UK Code.

The chairman was independent on appointment but has not been independent for the whole of his tenure due to holding share options (which have now expired) and his executive responsibilities.

Individual Directors may engage outside advisors at the expense of the Company upon approval by the Board in appropriate circumstances.

The Board has established a Corporate Governance and Nomination Committee, an Audit Committee, a Reserves Committee, a Remuneration and Compensation Committee and a Health, Safety and Environmental Committee. The terms of reference of the Corporate Governance and Nomination, Audit and Remuneration and Compensation Committees can be found on the Company's website www.serica-energy.com

Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee is responsible for the Company's observance of the UK Code and the Corporate Governance Guidelines where they apply to the Company, for compliance with the rules of AIM, the rules applicable to designated foreign issuers in Canada and for other corporate governance matters, including compliance with the Company's Share Dealing Code and with AIM in respect of dealings by directors or employees in the Company's shares. The committee is responsible for monitoring the effectiveness of the Board and its Committees, proposing to the Board new nominees for election as directors to the Board, determining successor plans and for assessing directors on an ongoing basis.

The committee met three times during 2014 and will meet as required during the next financial year.

The Corporate Governance and Nomination Committee is comprised of the Chairman and two non-Executive Directors all of whom are independent (other than as described in "The Board and its Committees" above). The committee is chaired by Neil Pike and its other members are Antony Craven Walker and Ian Vann.

Audit Committee

The Audit Committee meets regularly and consists of three members, all of whom are non-Executive Directors and two of whom are independent including the chairman of the committee. The committee's purpose is to assist the Board's oversight of the integrity of the financial statements and other financial reporting, the independence and performance of the auditors, the regulation and risk profile of the Group and the review and approval of any related party transactions. The Audit Committee may hold private sessions with management and the external auditor.

The Audit Committee met three times in 2014 and proposes to meet at least three times during the next financial year. The committee is chaired by Neil Pike and its other members are Steven Theede and Jeffrey Harris.

The responsibilities and operation of the Audit Committee are more particularly set out in the Company's Audit Committee Charter, a copy of which is available on the Company's website at www.serica-energy.com.

Reserves Committee

The Reserves Committee is a sub-committee of the Audit Committee. The committee's purpose is to review the reports of the independent reserves auditors pursuant to Canadian regulations which require that the Board discuss the reserves reports with the independent reserves auditors or delegate authority to a reserves committee comprised of at least two non-Executive Directors. The committee is chaired by Steven Theede and its other member is Ian Vann. The committee meets at least once a year prior to publication of the annual results.

Remuneration and Compensation Committee

The Remuneration and Compensation Committee meets regularly to consider all material elements of remuneration policy, the remuneration and incentivisation of Executive Directors and senior management and to make recommendations to the Board on the framework for executive remuneration and its cost. The role of the Remuneration and Compensation Committee is to keep under review the remuneration policies to ensure that Serica attracts, retains and motivates the most qualified talent who will contribute to the long-term success of the Company.

The committee met three times in 2014 and proposes to meet at least twice during the next financial year. In addition, written resolutions of the committee are passed from time to time particularly in relation to routine matters such as the allotment of shares pursuant to share option exercises as well as to record formally decisions of the committee reached outside the scheduled meetings.

The committee is composed of the Chairman and two non-Executive Directors all of whom are independent (other than as described in "The Board and its Committees" above). The Remuneration and Compensation Committee is chaired by Steve Theede and its other members are Neil Pike and Antony Craven Walker.

Health, Safety and Environmental Committee

The Health, Safety and Environmental Committee is responsible for matters affecting occupational health, safety and the environment, including the formulation of a health, safety and environmental policy.

The committee met four times in 2014 and proposes to meet at least three times during the next financial year. The committee is chaired by Ian Vann and its other members are Mitch Flegg and Antony Craven Walker.

Directors' attendance at meetings

The Board generally has one scheduled Board meeting every two months over the course of the financial year with informal discussions scheduled as required. Additional meetings are held depending upon opportunities or issues to be dealt with by the Company from time to time. The non-Executive Directors hold informal meetings during the course of the year at which members of management are not in attendance.

The directors' attendance at scheduled Board meetings and Board committees during 2014 is detailed in the table below:

Director	Board	Audit	Remuneration and Compensation	Corporate Governance and Nomination	HSE	Reserves
A Craven Walker (Chairman)	8*	1^	3	3	4	-
CJ Hearne (CFO)	8	3^	-	-	-	-
M Flegg (COO)	7	-	-	-	4	-
N Pike	8	3*	3	3*	-	-
S Theede	8	3	3*	1^	-	1*
I Vann	8	-	-	3	4*	1
J Harris	7	3	-	-	-	-
Total meetings	8	3	3	3	4	1

Notes:

1. The Chairman and non-executive directors attended a number of meetings of committees of which they were not members during the course of the year at the invitation of the committee chairman.

* Chairman
^ Invitee

Janette Davies
Company Secretary
29 May 2015

DIRECTORS' BIOGRAPHIES

Antony Craven Walker
Chairman and interim Chief Executive

Tony Craven Walker started his career with BP and has been a leading figure in the British independent oil industry since the early 1970s. He founded two British independent oil companies, Charterhouse Petroleum, where he held the post of Chief Executive, and Monument Oil and Gas, where he held the post of Chief Executive and later became Chairman. He was also a founder member of BRINDEX (Association of British Independent Oil Exploration Companies). He was appointed Chairman of Serica in 2004 and following the retirement of Paul Ellis in April 2011, is currently acting as interim Chief Executive.

Christopher Hearne
Finance Director

Chris Hearne joined Serica from Intrepid Energy, a leading independent exploration and production company in the North Sea, where he was responsible for corporate finance for eight years. In this capacity, he contributed to the growth of Intrepid Energy from a start-up company to its sale for over US$1 billion. Prior to joining Serica he worked as an investment banker with Lehman Brothers and Robert Fleming. He was appointed to the Board as Finance Director of Serica in 2005.

Mitchell Flegg
Chief Operating Officer

Mitch Flegg has over 32 years of industry experience starting with Schlumberger and then with Enterprise Oil, (initially as a Petrophysicist) where he became responsible for drilling related operations for wells drilled in UK, Australia, Cambodia, Vietnam, Ireland, Romania and Bulgaria. After the takeover by Shell he worked on the implementation of new technology in well engineering before moving into asset management. Mitch joined Serica in 2006 and has been responsible for all drilling and development operations. He was promoted to the position of Chief Operating Officer in March 2011 and appointed to the Board of Serica in September 2012.

Neil Pike
Non-Executive Director and Senior Independent Director

Neil Pike has been involved in the global petroleum business as a financier since joining the energy department at Citibank in 1975 until joining the board of Serica. Neil remained an industry specialist with Citibank throughout his career and was closely involved in the development of specialised oil field finance. Latterly he was responsible for Citibank's relationships with the oil and gas industry worldwide. He was appointed to the Board of Serica in 2004.

Ian Vann
Non-Executive Director

Ian Vann was employed by BP from 1976, and directed and led BP's global exploration efforts from 1996 until his retirement in January 2007. He was appointed to the executive leadership team of the Exploration & Production Division of BP in 2001, initially as Group Vice President, Technology and later as Group Vice President, Exploration and Business Development. He was appointed to the Board of Serica in 2007.

Steven Theede
Non-Executive Director

Steven Theede held senior management positions with Conoco, later ConocoPhillips, and in 2000 was appointed President, Exploration and Production for Europe, Russia and the Caspian region. In 2003 he joined Yukos Oil Company and became its Chief Executive Officer in July 2004, a position he held until August 2006. He was appointed to the Board of Serica in 2007.

Jeffrey Harris
Non-Executive Director

Jeffrey Harris founded Global Reserve Group LLC in 2012 following a twenty-nine year career with Warburg Pincus, during which period he invested in and advised companies in the industrial, consumer, technology and energy sectors. Jeffrey has served on the board of directors of over thirty companies, including twelve publicly-traded entities. He is past chairman of the National Venture Capital Association and an adjunct professor at the Columbia University Graduate School of Business where he teaches courses on venture capital, and entrepreneurship and innovation. He was appointed to the Board of Serica in December 2012.

Directors' responsibilities statement in relation to the Group and Company financial statements

The Directors are responsible for preparing the Strategic Report, the Director's Report and financial statements in accordance with applicable United Kingdom law and regulations and those International Financial Reporting Standards as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under United Kingdom company law the directors have elected to prepare the Parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and the profit or loss of the company for that period.

In preparing those Group and Company financial statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group and Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance; and
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Group and Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements and, having a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, will continue to adopt the going concern basis in preparing the accounts.

Independent Auditor’s report to the members of Serica Energy plc

We have audited the financial statements of Serica Energy plc for the year ended 31 December 2014 which comprise the Group Income Statement, the Group 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 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and International Accounting standards Board (IASB), as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group’s and the parent company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 December 2014 and of the group’s loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and IFRS as adopted by International Accounting standards Board (IASB);and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and IFRS as adopted by International Accounting Standards Board (IASB) 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.

Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The conditions explained on note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Paul Wallek, (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

29 May 2015

1. The maintenance and integrity of the Serica Energy plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Serica Energy plc
Group Income Statement
for the year ended 31 December

	Notes	**2014 US$000**	2013 US$000
Continuing operations			
Sales revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Pre-licence costs		(512)	(330)
Impairment and write-offs of E&E assets	13	(30,019)	(131)
Other asset write-offs	13	(250)	(168)
Administrative expenses		(4,296)	(4,458)
Foreign exchange (loss)/gain		(235)	341
Share-based payments	25	(337)	(252)
Depreciation	6	-	(109)
Operating loss before net finance revenue and tax		(35,649)	(5,107)
Finance revenue	9	26	16
Finance costs	10	-	(38)
Loss before taxation		(35,623)	(5,129)
Taxation charge for the year	11 a)	-	-
Loss for the year from continuing operations		(35,623)	(5,129)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	4	(453)	121
Loss for the year		(36,076)	(5,008)
Loss per ordinary share - EPS			
Basic and diluted EPS on continuing operations (US$)	12	(0.14)	(0.03)
Basic and diluted EPS on loss for the year (US$)	12	(0.14)	(0.03)

Group Statement of Comprehensive Income

There are no other comprehensive income items other than those passing through the income statement.

Serica Energy plc
Registered Number: 5450950
Balance Sheet
As at 31 December

	Note	**Group 2014 US$000**	2013 US$000	**Company 2014 US$000**	2013 US$000
Non-current assets					
Exploration & evaluation assets	13	57,843	74,609	-	-
Property, plant and equipment	14	-	-	-	-
Investments in subsidiaries	15	-	-	-	-
Other receivables	16	247	1,293	-	-
		58,090	75,902	-	-
Current assets					
Inventories	17	-	258	-	-
Trade and other receivables	18	2,352	3,851	58,057	98,148
Financial assets	18	-	420	-	420
Cash and cash equivalents	19	9,893	26,062	9,447	25,459
		12,245	30,591	67,504	124,027
TOTAL ASSETS		70,335	106,493	67,504	124,027
Current liabilities					
Trade and other payables	20	(3,998)	(4,417)	(1,167)	(959)
Provisions	21	-	-	-	-
TOTAL LIABILITIES		(3,998)	(4,417)	(1,167)	(959)
NET ASSETS		66,337	102,076	66,337	123,068
Share capital	23	227,958	227,958	192,686	192,686
Merger reserve	15	-	-	-	-
Other reserve		20,634	20,297	20,634	20,297
Accumulated deficit		(182,255)	(146,179)	(146,983)	(89,915)
TOTAL EQUITY		66,337	102,076	66,337	123,068

Approved by the Board on 29 May 2015

Antony Craven Walker
Chief Executive Officer

Christopher Hearne
Finance Director

Serica Energy plc
Statement of Changes in Equity
For the year ended 31 December 2014

Group

	Share capital US$000	Other reserve US$000	Accum'd deficit US$000	Total US$000
At 1 January 2013	209,758	20,045	(141,171)	88,632
Loss for the year	-	-	(5,008)	(5,008)
Total comprehensive income	-	-	(5,008)	(5,008)
Share-based payments	-	252	-	252
Issue of ordinary shares	19,525	-	-	19,525
Fees from issue of shares	(1,325)	-	-	(1,325)
At 31 December 2013	227,958	20,297	(146,179)	102,076
Loss for the year	-	-	(36,076)	(36,076)
Total comprehensive income	-	-	(36,076)	(36,076)
Share-based payments	-	337	-	337
At 31 December 2014	227,958	20,634	(182,255)	66,337

Company

	Share capital US$000	Merger reserve US$000	Other reserve US$000	Accum'd deficit US$000	Total US$000
At 1 January 2013	174,486	4,322	20,045	(52,499)	146,354
Loss for the year	-	-	-	(41,738)	(41,738)
Total comprehensive income	-	-	-	(41,738)	(41,738)
Share-based payments	-	-	252	-	252
Issue of ordinary shares	19,525	-	-	-	19,525
Fees from issue of shares	(1,325)	-	-	-	(1,325)
Transfers	-	(4,322)	-	4,322	-
At 31 December 2013	192,686	-	20,297	(89,915)	123,068
Loss for the year	-	-	-	(57,068)	(57,068)
Total comprehensive income	-	-	-	(57,068)	(57,068)
Share-based payments	-	-	337	-	337
At 31 December 2014	192,686	-	20,634	(146,983)	66,337

Serica Energy plc
Cash Flow Statement
For the year ended 31 December

	Group **2014** **US$000**	2013 US$000	Company **2014** **US$000**	2013 US$000
Operating activities:				
Loss for the year	(36,076)	(5,008)	(57,068)	(41,738)
Adjustments to reconcile loss for the year to net cash flow from operating activities:				
Net finance (income)/costs	(26)	28	(26)	22
Depreciation	-	109	-	-
Depletion and amortisation	-	1,036	-	-
Other asset write-offs	250	168	-	-
Impairment of E&E assets	30,019	131	-	-
Impairment of loans and investments	-	-	54,521	40,000
Share-based payments	337	252	337	252
Other non-cash movements	235	(310)	165	(345)
Decrease in trade and other receivables	2,856	4,570	608	204
Decrease in inventories	42	24	-	-
(Decrease)/increase in trade and other payables	(688)	(2,108)	208	(212)
Use of provisions	-	(1,607)	-	-
Cash utilised in operations	(3,051)	(2,715)	(1,255)	(1,817)
Taxation paid	-	-	-	-
Net cash outflow from operations	(3,051)	(2,715)	(1,255)	(1,817)
Investing activities:				
Interest received	26	16	26	16
Purchase of E&E assets	(12,967)	(13,094)	-	-
Cash inflow from disposals	-	933	-	-
Funding provided to Group subsidiaries	-	-	(14,618)	(12,762)
Net cash flow from investing activities	(12,941)	(12,145)	(14,592)	(12,746)
Financing activities:				
Gross proceeds from issue of shares	-	19,525	-	19,525
Fees from issue of shares	-	(1,325)	-	(1,325)
Finance costs paid	-	(38)	-	(38)
Net cash flow from financing activities	-	18,162	-	18,162
Net (decrease)/increase in cash and cash equivalents	(15,992)	3,302	(15,847)	3,599
Effect of exchange rates on cash and cash equivalents	(177)	415	(165)	436
Cash and cash equivalents at 1 January	26,062	22,345	25,459	21,424
Cash and cash equivalents at 31 December	9,893	26,062	9,447	25,459

Serica Energy plc

Notes to the Financial Statements

1. Authorisation of the Financial Statements and Statement of Compliance with IFRS

The Group's and Company's financial statements for the year ended 31 December 2014 were authorised for issue by the Board of Directors on 29 May 2015 and the balance sheets were signed on the Board's behalf by Antony Craven Walker and Christopher Hearne. Serica Energy plc is a public limited company incorporated and domiciled in England & Wales. The principal activity of the Company and the Group is to identify, acquire and subsequently exploit oil and gas reserves. Its current activities are located in the United Kingdom, Ireland, Namibia and Morocco. The Company's ordinary shares are traded on AIM.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU as they apply to the financial statements of the Group for the year ended 31 December 2014. The Company's financial statements have been prepared in accordance with IFRS as adopted by the EU as they apply to the financial statements of the Company for the year ended 31 December 2014 and as applied in accordance with the provisions of the Companies Act 2006. The Group's financial statements are also prepared in accordance with IFRS as issued by the IASB. The principal accounting policies adopted by the Group and by the Company are set out in note 2.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes. The deficit dealt with in the financial statements of the parent Company was US$57,068,000 (2013: US$41,738,000).

On 1 September 2005, the Company completed a reorganisation (the "Reorganisation"). whereby the common shares of Serica Energy Corporation were automatically exchanged on a one-for-one basis for ordinary shares of Serica Energy plc, a newly formed company incorporated under the laws of the United Kingdom. In addition, each shareholder of the Corporation received beneficial ownership of part of the 'A' share of Serica Energy plc issued to meet the requirements of public companies under the United Kingdom jurisdiction. Under IFRS this reorganisation was considered to be a reverse takeover by Serica Energy Corporation and as such the financial statements of the Group represent a continuation of Serica Energy Corporation.

2. Accounting Policies

Basis of Preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2014.

The Group and Company financial statements have been prepared on a historical cost basis and are presented in US dollars. All values are rounded to the nearest thousand dollars (US$000) except when otherwise indicated.

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The financial position of the Group, its cash flows and capital commitments are described in the Financial Review above. Following the cessation of production from the Kambuna field in 2013, the Group had no production revenues up to the end of 2014. As at 31 December 2014, the Group had net current assets of US$8.2 million (2013: US$26.2 million), including cash & cash equivalents of US$9.9 million (2013: US$26.1 million).

The Directors are required to consider the availability of resources to meet the Group's and Company's liabilities for the foreseeable future. Following the recent severe drop in oil prices and consequent impact upon the financial resources available to companies such as Serica, management has reviewed all of its expenditure commitments and has reduced its personnel, office and other costs substantially effective 1H 2015. The Group currently has no exploration drilling commitments and therefore any such future programmes are discretionary depending upon the availability of finance amongst other things.

The completion of the Erskine acquisition is expected imminently with only the final execution of certain required documents outstanding. This will bring a significant new revenue stream to the Group comprising sales of oil, gas and other liquids. Net revenues from the field are expected to assist Serica in building its cash resources over coming months and years. However, management remains conscious that a single field income stream exposes it to operational and infrastructure risks and consequent need for adequate working capital to cover associated fluctuations in revenue. The field has a history of intermittent production performance and operational expenditure continues during periods of field shut-down when no revenue is earned. However the recent field and system shut-down was designed to improve future production performance and field uptime.

The Company has no debt or major commitments other than those that will arise following completion of the Erskine acquisition. The cash in place is considered adequate to cover geological and geophysical, exploration, technical and administrative costs associated with its ongoing business over the coming twelve months though new funding may be required thereafter.

Management is conscious that to further develop the business and offer attractive returns to shareholders, new sources of funds may be required. These include finance to develop the Group's Columbus field interest and for new programmes to add oil and gas reserves. The Group has a record of raising of capital through farm down and will seek to continue this strategy whilst it seeks other sources of funding. Other strategic and capital raising alternatives open to Serica include the issue of equity or other financial instruments, the forward sale of production and corporate transactions.

After making enquiries and having taken into consideration the above factors, the Directors have reasonable expectations that the Group has adequate cash resources to continue in operational existence for the foreseeable future. The successful conclusion of the Erskine transaction is expected to bring significant new cash flows albeit from a single asset with associated performance and commodity price risks. Such risks and the potential need to raise additional funds to cover any working capital needs arising indicate the existence of material uncertainties which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of the business and at the amount stated in this financial report.

These financial statements do not include any adjustment relating to the recoverability or classification of the recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

Use of judgement and estimates and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes could differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognised in the financial statements are: the assessment of commercial reserves, the impairment of the Group and Company's assets (including oil & gas development assets and Exploration and Evaluation "E&E" assets) and share-based payment costs.

Assessment of commercial reserves

Management is required to assess the level of the Group's commercial reserves together with the future expenditures to access those reserves, which are utilised in determining the amortisation and depletion charge for the period and assessing whether any impairment charge is required. The Group employs independent reserves specialists who periodically assess the Group's level of commercial reserves by reference to data sets including geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Group's assets. In addition the Group undertakes its own assessment of commercial reserves and related future capital expenditure by reference to the same datasets using its own internal expertise.

Impairment

The Group monitors internal and external indicators of impairment relating to its intangible and tangible assets, which may indicate that the carrying value of the assets may not be recoverable. The assessment of the existence of indicators of impairment in E&E assets involves judgement, which includes whether management expects to fund significant further expenditure in respect of a licence and whether the recoverable amount may not cover the carrying value of the assets. For development and production assets judgement is involved when determining whether there have been any significant changes in the Group's oil and gas reserves.

The Group determines whether E&E assets are impaired at an asset level and in regional cash generating units ('CGUs') when facts and circumstances suggest that the carrying amount of a regional CGU may exceed its recoverable amount. As recoverable amounts are determined based upon risked potential, or where relevant, discovered oil and gas reserves, this involves estimations and the selection of a suitable pre-tax discount rate relevant to the asset in question. The calculation of the recoverable amount of oil and gas development properties involves estimating the net present value of cash flows expected to be generated from the asset in question. Future cash flows are based on assumptions on matters such as estimated oil and gas reserve quantities and commodity prices. The discount rate applied is a pre-tax rate which reflects the specific risks of the country in which the asset is located.

Management is required to assess the carrying value of investments in subsidiaries in the parent company balance sheet for impairment by reference to the recoverable amount. This requires an estimate of amounts recoverable from oil and gas assets within the underlying subsidiaries (see note 15).

Share-based payment costs

The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgments relating to the continuing participation of employees (see note 25).

Basis of Consolidation

The consolidated financial statements include the accounts of Serica Energy plc (the "Company") and its wholly owned subsidiaries Serica Holdings UK Limited, Serica Energy Holdings B.V., Serica Energy (UK) Limited, Serica Glagah Kambuna B.V., Serica Sidi Moussa B.V., Serica Foum Draa B.V., Serica Energy Slyne B.V., Serica Energy Rockall B.V., Serica Namibia B.V., Serica Energy Corporation, Asia Petroleum Development Limited, Petroleum Development Associates (Asia) Limited and Petroleum Development Associates Lematang Limited. Together these comprise the "Group".

All inter-company balances and transactions have been eliminated upon consolidation.

Foreign Currency Translation

The functional and presentational currency of Serica Energy plc and all its subsidiaries is US dollars.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange ruling at the balance sheet date and differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Exchange gains and losses arising from translation are charged to the income statement as an operating item.

Business Combinations and Goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill on acquisition is initially measured at cost being the excess of purchase price over the fair market value of identifiable assets, liabilities and contingent liabilities acquired. Following initial acquisition it is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to an impairment test at least annually and more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units, or groups of cash generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, or groups of cash generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Joint Arrangements

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group conducts petroleum and natural gas exploration and production activities jointly with other venturers who each have direct ownership in and jointly control the operations of the ventures. These are classified as jointly controlled operations and the financial statements reflect the Group's share of assets and liabilities in such activities. Income from the sale or use of the Group's share of the output of jointly controlled operations, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group and their amount can be measured reliably.

Full details of Serica's working interests in those petroleum and natural gas exploration and production activities classified as jointly controlled operations are included in the Review of Operations.

Exploration and Evaluation Assets

As allowed under IFRS 6 and in accordance with clarification issued by the International Financial Reporting Interpretations Committee, the Group has continued to apply its existing accounting policy to exploration and evaluation activity, subject to the specific requirements of IFRS 6. The Group will continue to monitor the application of these policies in light of expected future guidance on accounting for oil and gas activities.

Pre-licence Award Costs

Costs incurred prior to the award of oil and gas licences, concessions and other exploration rights are expensed in the income statement.

Exploration and Evaluation (E&E)

The costs of exploring for and evaluating oil and gas properties, including the costs of acquiring rights to explore, geological and geophysical studies, exploratory drilling and directly related overheads, are capitalised and classified as intangible E&E assets. These costs are directly attributed to regional CGUs for the purposes of impairment testing; UK & Ireland and Africa.

E&E assets are not amortised prior to the conclusion of appraisal activities but are assessed for impairment at an asset level and in regional CGUs when facts and circumstances suggest that the carrying amount of a regional cost centre may exceed its recoverable amount. Recoverable amounts are determined based upon risked potential, and where relevant, discovered oil and gas reserves. When an impairment test indicates an excess of carrying value compared to the recoverable amount, the carrying value of the regional CGU is written down to the recoverable amount in accordance with IAS 36. Such excess is expensed in the income statement.

Costs of licences and associated E&E expenditure are expensed in the income statement if licences are relinquished, or if management do not expect to fund significant future expenditure in relation to the licence.

The E&E phase is completed when either the technical feasibility and commercial viability of extracting a mineral resource are demonstrable or no further prospectivity is recognised. At that point, if commercial reserves have been discovered, the carrying value of the relevant assets, net of any impairment write-down, is classified as an oil and gas property within property, plant and equipment, and tested for impairment. If commercial reserves have not been discovered then the costs of such assets will be written off.

Asset Purchases and Disposals

When a commercial transaction involves the exchange of E&E assets of similar size and characteristics, no fair value calculation is performed. The capitalised costs of the asset being sold are transferred to the asset being acquired. Proceeds from a part disposal of an E&E asset, including back-cost contributions are credited against the capitalised cost of the asset, with any excess being taken to the income statement as a gain on disposal.

Farm-ins

In accordance with industry practice, the Group does not record its share of costs that are 'carried' by third parties in relation to its farm-in agreements in the E&E phase. Similarly, while the Group has agreed to carry the costs of another party to a Joint Operating Agreement ("JOA") in order to earn additional equity, it records its paying interest that incorporates the additional contribution over its equity share.

Property, Plant and Equipment – Oil and gas properties

Capitalisation

Oil and gas properties are stated at cost, less any accumulated depreciation and accumulated impairment losses. Oil and gas properties are accumulated into single field cost centres and represent the cost of developing the commercial reserves and bringing them into production together with the E&E expenditures incurred in finding commercial reserves previously transferred from E&E assets as outlined in the policy above. The cost will include, for qualifying assets, borrowing costs.

Depletion

Oil and gas properties are not depleted until production commences. Costs relating to each single field cost centre are depleted on a unit of production method based on the commercial proved and probable reserves for that cost centre. The depletion calculation takes account of the estimated future costs of development of recognised proved and probable reserves. Changes in reserve quantities and cost estimates are recognised prospectively from the last reporting date.

Impairment

A review is performed for any indication that the value of the Group's development and production assets may be impaired.

For oil and gas properties when there are such indications, an impairment test is carried out on the cash generating unit. Each cash generating unit is identified in accordance with IAS 36. Serica's cash generating units are those assets which generate largely independent cash flows and are normally, but not always, single development or production areas. If necessary, impairment is charged through the income statement if the capitalised costs of the cash generating unit exceed the recoverable amount of the related commercial oil and gas reserves.

Asset Disposals

Proceeds from the entire disposal of a development and production asset, or any part thereof, are taken to the income statement together with the requisite proportional net book value of the asset, or part thereof, being sold.

Decommissioning

Liabilities for decommissioning costs are recognised when the Group has an obligation to dismantle and remove a production, transportation or processing facility and to restore the site on which it is located. Liabilities may arise upon construction of such facilities, upon acquisition or through a subsequent change in legislation or regulations. The amount recognised is the estimated present value of future expenditure determined in accordance with local conditions and requirements. A corresponding tangible item of property, plant and equipment equivalent to the provision is also created.

Any changes in the present value of the estimated expenditure is added to or deducted from the cost of the assets to which it relates. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. The unwinding of the discount on the decommissioning provision is included as a finance cost.

Property, Plant and Equipment - Other

Computer equipment and fixtures, fittings and equipment are recorded at cost as tangible assets. The straight-line method of depreciation is used to depreciate the cost of these assets over their estimated useful lives. Computer equipment is depreciated over three years and fixtures, fittings and equipment over four years.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs and transportation expenses.

Investments

In its separate financial statements the Company recognises its investments in subsidiaries at cost less any provision for impairment.

Financial Instruments

Financial instruments comprise financial assets, cash and cash equivalents, financial liabilities and equity instruments.

Financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial asset are capitalised unless they relate to a financial asset classified at fair value through profit and loss in which case transaction costs are expensed in the income statement.

The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Financial assets at fair value through profit or loss include financial assets held for trading and derivatives. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost, using the effective interest rate method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses are recognised in the income statement when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with original maturities of three months or less at the date acquired.

Financial liabilities

Financial liabilities include interest bearing loans and borrowings, and trade and other payables.

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Equity

Equity instruments issued by the Company are recorded in equity at the proceeds received, net of direct issue costs.

Leases

Operating lease payments are recognised as an operating expense in the income statement on a straight line basis over the lease term.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from oil and natural gas production is recognised on an entitlement basis for the Group's net working interest.

Finance Revenue

Finance revenue chiefly comprises interest income from cash deposits on the basis of the effective interest rate method and is disclosed separately on the face of the income statement.

Finance Costs

Finance costs of debt are allocated to periods over the term of the related debt using the effective interest method. Arrangement fees and issue costs are amortised and charged to the income statement as finance costs over the term of the debt.

Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time the assets are substantially ready for their intended use i.e when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amounts capitalised represent the actual borrowing costs incurred. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Share-Based Payment Transactions

Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Equity-settled transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of any service or performance conditions, other than conditions linked to the price of the shares of Serica Energy plc ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the relevant employees become fully entitled to the award (the 'vesting period'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied. Equity awards cancelled are treated as vesting immediately on the date of cancellation, and any expense not recognised for the award at that date is recognised in the income statement. Estimated associated national insurance charges are expensed in the income statement on an accruals basis.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Income Taxes

Current tax, including UK corporation tax and overseas corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the liability method and tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Provision is made for temporary differences at the balance sheet date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is provided on all temporary differences except for:

- temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the income statement nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are presented net only if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Earnings Per Share

Earnings per share is calculated using the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated based on the weighted average number of ordinary shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all relevant potentially dilutive shares to ordinary shares. It is assumed that any proceeds obtained on the exercise of any options and warrants would be used to purchase ordinary shares at the average price during the period. Where the impact of converted shares would be anti-dilutive, these are excluded from the calculation of diluted earnings.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2014 unless otherwise stated. The adoption of the standards or interpretations is described below:

i) Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities
The amendment is effective for annual periods beginning on or after 1 January 2014. The application of the amendment did not impact on the financial position or performance of the Group or Company.

ii) Amendment to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets
The amendment addressed certain unintended consequences arising from consequential amendments made to IAS 36 when IFRS 13 was issued. The amendment is effective for annual periods beginning on or after 1 January 2014. The application of the amendment did not impact on the financial position or performance of the Group or Company.

Standards issued but not yet effective

Certain standards or interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Standard	***Effective year commencing on or after***
IFRS 9 – Financial Instruments	1 January 2018 *
Amendments to IAS 16 and IAS 38 – Clarification of Accountable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IFRS 11 – Accounting for Acquisition of Interests in Joint Operations	1 January 2016
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

**Not yet endorsed by the EU*

3. Segment Information

The Group's business is that of oil & gas exploration, development and production. The Group's reportable segments are based on the location of the Group's assets.

The following tables present revenue, profit and certain asset and liability information regarding the Group's geographical reportable segments for the years ended 31 December 2014 and 2013. Costs associated with the UK corporate centre are included in the UK & Ireland reportable segment. Reportable information in respect of the Group's interest in the producing Kambuna field in Indonesia is disclosed as a separate segment, with income statement information for the Kambuna field in Indonesia additionally classified as 'discontinued'.

Year ended 31 December 2014	UK & Ireland US$000	Africa US$000		Continuing Total US$000	Discontinued US$000
Revenue	-	-		-	-
Continuing operations					
Other expenses	(4,868)	-		(4,868)	(453)
Pre-licence costs	(254)	(258)		(512)	-
Other asset write-offs	(34)	(216)		(250)	-
E&E asset impairment/write-offs	(17,559)	(12,460)		(30,019)	-
Operating loss and segment loss	(22,715)	(12,934)		(35,649)	(453)
Finance revenue				26	-
Loss before taxation				(35,623)	(453)
Taxation charge for the year				-	-
Loss after taxation				(35,623)	(453)

	UK & Ireland US$000	Africa US$000	Kambuna US$000	Total US$000
Other segment information:				
Exploration and evaluation assets	55,207	2,636	-	57,843
Other assets	9,718	138	636	10,492
Unallocated assets				2,000
Total assets	64,925	2,774	636	70,335
Segment liabilities	(1,642)	(2,354)	(2)	(3,998)
Total liabilities	(1,642)	(2,354)	(2)	(3,998)
Capital expenditure 2014:				
Exploration and evaluation assets	2,395	10,858	-	13,253

Year ended 31 December 2013	UK & Ireland	Africa		Continuing Total	Discontinued
	US$000	US$000		US$000	US$000
Revenue	-	-		-	4,032
Other expenses	(4,369)	-		(4,369)	(2,869)
Pre-licence costs	(57)	(273)		(330)	-
Asset write-offs	(299)	-		(299)	-
Depletion	-	-		-	(1,036)
Depreciation	(109)	-		(109)	-
Operating and segment (loss)/profit	(4,834)	(273)		(5,107)	127
Finance revenue				16	-
Finance costs				(38)	(6)
Loss before taxation				(5,129)	121
Taxation charge for the year				-	-
Loss after taxation				(5,129)	121

	UK & Ireland	Africa	Kambuna	Total
	US$000	US$000	US$000	US$000
Other segment information:				
Exploration and evaluation assets	70,372	4,237	-	74,609
Other assets	12,403	89	3,508	16,000
Unallocated assets				15,884
Total assets	82,775	4,326	3,508	106,493
Segment liabilities	(1,529)	(1,864)	(1,024)	(4,417)
Total liabilities	(1,529)	(1,864)	(1,024)	(4,417)
Capital expenditure 2013:				
Exploration and evaluation assets	4,429	3,431	-	7,860

Unallocated assets and liabilities comprise financing items (including cash on deposit).

Information on major customers is provided in note 4.

4. Discontinued Operation

During 2013, Serica's sole remaining interest in Indonesia was its 25% interest in the Glagah Kambuna Technical Assistance Contract ("TAC"). The TAC covers an area of approximately 380 square kilometres offshore North Sumatra and contains the Kambuna gas field. Throughout the first half of 2013 the Company continued to benefit from cash flows from field production but, in July 2013, the field reached the end of its economic life and was shut-in. The partnership agreed handover arrangements with the Indonesian authorities which involved securing the three wells and wellhead structure. Following the completion of the agreed decommissioning procedures in Q4 2013, the TAC was formally terminated on 31 December 2013 and the facilities handed over to Pertamina.

Following the developments of the Kambuna business segment in the second half of 2013, the financial results of the Kambuna field are now disclosed as 'discontinued' operations and separate from the results of the continuing business segments.

Results of discontinued operations

The results of the discontinued operations are presented below:

	Year ended 31 December 2014 US$000	Year ended 31 December 2013 US$000
Sales revenue	-	4,032
Cost of sales	-	(3,905)
Gross profit	-	127
Other operating expenses	(453)	-
Operating (loss)/profit	(453)	127
Finance costs	-	(6)
(Loss)/profit before taxation	(453)	121
Taxation charge for the year	-	-
(Loss)/profit for the year	(453)	121
Earnings per ordinary share (EPS)	US$	US$
Basic and diluted EPS on result in year	(0.00)	(0.00)

The loss for 2014 comprised a final assessment for asset write offs and minor operator expense as residual matters are closed out.

The earnings per ordinary share for the discontinued operations is derived from the net loss attributable to equity holders of the parent from discontinued operations of US$453,000 (2013: profit of US$121,000), divided by the weighted average number of ordinary shares for both basic and diluted amounts as disclosed in note 12.

Sales Revenue

	2014 US$000	2013 US$000
Gas sales	-	1,653
Condensate sales	-	2,379
	-	4,032

Gas sales revenue in 2013 arose from three customers, the most significant being PLN (2013: US$1,071,000) and Pertiwi (2013: US$582,000). All condensate sales revenue in 2013 was from one customer, PLN.

Cost of Sales

	2014 US$000	2013 US$000
Operating costs	-	2,587
Depletion (see note 14)	-	1,036
Movement in inventories of oil	-	282
	-	3,905

Finance Costs

Finance costs consist entirely of the unwinding of a discount on the Kambuna decommissioning provision (see note 21).

Other

There are no taxation components within discontinued operations.

The net cash flows attributable to the disposal group in discontinued operations are as follows:

Year ended 31 December:	2014 US$000	2013 US$000
Operating cash inflows	1,404	2,351
Investing cash outflows	-	-
Financing cash outflows	-	-
Net cash inflow	1,404	2,351

5. Analysis of Expenses by Function

	2014 US$000	2013 US$000
Administrative	4,296	4,458
Impairment of E&E assets	30,019	131
Other asset write-offs	250	168
Other	1,084	350
	35,649	5,107

6. Group Operating Loss

	2014 US$000	2013 US$000
This is stated after charging:		
Depreciation of other property, plant and equipment	-	109
Total depreciation, depletion and amortisation expense	-	109

Depletion of oil and gas properties is classified with cost of sales under discontinued operations.

Operating lease rentals (minimum lease payments):		
- Land and buildings	552	524
- Other	22	21
Total lease payments recognised as an expense	574	545

Operating sublease agreements where the Group is lessor

In the year ended 31 December 2014, the Group received US$140,000 (2013: US$127,000) of rental income receivable under a sub-lease of its office premises.

7. Auditor's Remuneration

	2014 US$000	2013 US$000
Audit of the Group accounts	86	102
Audit of the Company's accounts	28	34
Audit of accounts of Company's subsidiaries	10	20
Total audit fees	124	156

	US$000	US$000
Other fees to auditor:		
Taxation advisory services	-	-
	-	-

Fees paid to Ernst & Young LLP and its associates for non-audit services are not disclosed in the individual accounts of the Company as Group financial statements are prepared which are required to disclose such fees on a consolidated basis.

8. Staff Costs and Directors' Emoluments

a) Staff Costs

The average monthly number of persons employed by the Group during the year was:	**2014 No.**	2013 No.
Management	3	3
Technical	3	3
Finance and administration	4	4
	10	10

	US$000	US$000
Staff costs for the above persons:		
Wages and salaries	2,468	2,630
Social security costs	309	347
Other pension costs	176	170
Share-based long-term incentives (including related NI cost)	337	234
	3,290	3,381
Staff costs for key management personnel:		
Short-term employee benefits	1,934	2,092
Post-employment benefits	86	88
Share-based payments	134	128
	2,154	2,308

b) Directors' Emoluments

The emoluments of the individual Directors were as follows. Other than fees paid to Jeffrey Harris in US$, all sums are paid in £ sterling but are converted at an exchange rate of £1=US$1.648 (2013: £1=US$1.564) to US$ being the reporting currency for the purposes of the Company's accounts.

	2014 Salary and fees US$000	2014 Bonus US$000	2014 Pension US$000	2014 Benefits in kind US$000	**2014 Total US$000**	2013 Total US$000
A Craven Walker (1)	511	-	-	35	546	519
C Hearne	425	-	43	8	476	522
P Sadler (2)	-	-	-	-	-	119
M Flegg	425	-	43	11	479	524
N Pike	91	-	-	-	91	86
I Vann	74	-	-	-	74	70
S Theede	74	-	-	-	74	70
J Harris	66	-	-	-	66	64
	1,666	-	86	54	1,806	1,974

Note (1) Mr Craven Walker has acted as Interim CEO since 10 April 2011. Since 1 May 2012, Mr Craven Walker has received a combined fee in respect of services as Chairman and Interim CEO pending the appointment of a successor to the CEO position. Since 1 January 2013 this fee has included a provision for travel allowance. He is not entitled to any other award such as share options, share scheme, bonus, pension or medical insurance.

Note (2) Peter Sadler resigned on 27 June 2013

	2014	2013
Number of Directors securing benefits under defined contribution schemes during the year	2	3
Number of Directors who exercised share options	-	-

	US$000	US$000
Aggregate gains made by Directors on the exercise of options	-	-

The Group defines key management personnel as the Directors of the Company. There are no transactions with Directors other than their remuneration as disclosed above and those described in Note 28.

9. Finance Revenue

	2014	2013
	US$000	US$000
Bank interest receivable	26	16
Total finance revenue	26	16

10. Finance Costs

	2014	2013
	US$000	US$000
Bank loans	-	37
Other interest payable	-	1
Total finance costs	-	38

Bank loan finance costs include interest payable, unutilised facility fees and an amortisation charge of associated issue costs. The unwinding of a discount on decommissioning provisions is classified within finance costs under ‘discontinued’ operations.

11. Taxation

	2014	2013
	US$000	US$000
a) Tax charged/(credited) in the income statement		
Charge for the year	-	-
Adjustment in respect of prior years	-	-
Total current income tax charge	-	-
Deferred tax		
Origination and reversal of temporary differences in the current year	-	-
Adjustment in respect of prior years	-	-
Adjustment to reflect tax rate changes in recognition of deferred tax	-	-
Total deferred tax (credit)	-	-
Tax charge in the income statement	-	-

b) Reconciliation of the total tax charge/(credit)

The tax in the income statement for the year differs from the amount that would be expected by applying the standard UK corporation tax rate for the following reasons:

	2014	2013
	US$000	US$000
Accounting loss before taxation – continuing operations	(35,623)	(5,129)
Accounting (loss)/profit before taxation – discontinued ops	(453)	121
Accounting loss before taxation	(36,076)	(5,008)
Expected tax credit at standard UK corporation tax rate of 21.5% (2013 – 23.25%)	(7,756)	(1,164)
Expenses not deductible for tax purposes	264	426
Write-off of exploration assets	7,016	-
Unrecognised tax losses	1,246	733
Accelerated Capital Allowances	(298)	-
Different foreign tax rates	(472)	5
Tax charge reported in the income statement	-	-

c) Unrecognised tax losses

The benefit of approximately US$168.1 million (2013: US$114.7 million) of tax losses has not been recognised in these consolidated statements which reflects the extent of the total available UK tax losses that have not been set against a deferred tax liability arising. The Group has UK ring fence tax losses of US$186.3 million available as at 31 December 2014 which form part of total UK tax losses of approximately US$212.2 million (2013: US$175.0 million) that are available indefinitely for offset against future trading profits of the companies in which the losses arose. Of this amount US$44.1 million (2013: US$60.3 million) has been set off against taxable temporary differences.

d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2014	2013
	US$000	US$000
Deferred tax liability:		
Temporary differences on capital expenditure	(27,345)	(37,372)
Deferred tax liability	(27,345)	(37,372)
Deferred tax asset:		
Temporary difference on future recoverable costs	-	-
Tax losses carried forward	27,345	37,372
Deferred tax asset	27,345	37,372
Net deferred tax liability	-	-

The deferred tax in the Group income statement is as follows:

	2014	2013
	US$000	US$000
Deferred tax in the income statement:		
Temporary differences on capital expenditure	(10,027)	2,036
Temporary difference on future recoverable costs	-	-
Tax losses carried forward	10,027	(2,036)
Deferred income tax (credit)	-	-

e) Changes to UK corporation tax legislation

Legislation to reduce the main rate of UK corporation tax to 21% for the year commencing 1 April 2014 and 20% for the year from 1 April 2015 and beyond was enacted in July 2013. From 1 January 2015, the rate of Supplementary Charge (SC) will be 20%, a further reduction of 10 percentage points in addition to the 2 percentage point cut announced in the Chancellor's Autumn Statement. This reduces the headline rate of tax from 62% to 50% for ring-fenced trading profits.

The UK Government proposals to increase the extent to which the Small Field Allowance ("SFA") is available in respect of small developments were enacted in July 2013. The allowance is now extended to fields with reserves of 6.25 million tonnes from the previous threshold of 3.5 million tonnes and the allowance available in respect of a qualifying field is increased from £75m (US$120m) to £150m (US$240m).

f) Unrecognised deferred tax liability

In 2014 and 2013 there are no material temporary differences associated with subsidiaries for which deferred tax liabilities have not been recognised.

g) Company

The Company has US$25.4 million (2013: US$ 23.5 million) of UK corporation tax losses which are not recognised as deferred tax assets.

12. Earnings Per Share

Basic earnings or loss per ordinary share amounts are calculated by dividing net profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares. As a result of the net loss for the years ended 31 December 2013 and 2014, there is no dilutive effect of the share options in these years.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2014 **US$000**	2013 US$000
Net loss from continuing operations	(35,623)	(5,129)
Net loss attributable to equity holders of the parent	(36,076)	(5,008)
	2014 **’000**	2013 ’000
Basic weighted average number of shares	250,179	191,266
Diluted weighted average number of shares	250,179	191,266
	2014 **US$**	2013 US$
Basic and diluted EPS on loss on continuing operations (US$)	(0.14)	(0.03)
Basic and diluted EPS on loss for the year (US$)	(0.14)	(0.03)

On completion of the acquisition of an 18% interest in the Erskine field, 13,500,000 ordinary shares will be issued to BP as part of the consideration. These will represent approximately 5.1% of Serica’s enlarged issued share capital.

13. Exploration and Evaluation Assets

Group	**Total US$000**
Cost:	
1 January 2013	66,880
Additions	7,860
Write offs	(131)
31 December 2013	74,609
Additions	13,253
Write offs	(12,519)
31 December 2014	75,343
Provision for impairment:	
1 January 2013 and 1 January 2014	-
Impairment charge for the year	(17,500)
31 December 2014	(17,500)
Net book value:	
31 December 2014	57,843
31 December 2013	74,609
1 January 2013	66,880

The aggregate impairment and write-off charge against E&E assets in 2014 was US$30.0 million (2013: US$0.1 million) and comprised an impairment charge of US$17.5 million against the Columbus asset in the UK & Ireland cash generating unit, and E&E asset write-offs of US$12.5 million (2013: US$0.1 million) of which US$7.4 million related to the costs incurred on the Sidi Moussa block in Morocco, US$5.0 million from the adjacent Foum Draa block and US$0.1 million in the UK.

Management currently sees limited prospectivity on the Foum Draa block and given it will not be funding any significant work on the licence has writen off the costs incurred. Whilst interpretation of the Sidi Moussa well data is ongoing, there are no plans to fund significant future expenditure on this block and the costs have also been written off.

The partial impairment recorded against Columbus book amounts has arisen from revised economic evaluations, the primary factor being the use of lower hydrocarbon prices in management’s estimation of future discounted cash flows of the asset.

The recoverable amount of US$34.5 million for the Columbus asset was determined on a fair value less costs of disposal basis using a discounted cash flow model. The projected cash flows are extrapolated until 2029 using a 2.5% growth rate and were adjusted for risks specific to the asset and discounted using a pre-tax discount rate of 10.57%. This discount rate is derived from the Group’s post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks relating to the region where the cash generating unit is located.

In determining FVLCD it is necessary to make a series of assumptions to estimate future cash flows including volumes, price assumptions and cost estimates. Accordingly, the fair value is categorised as Level 3 in the fair value hierarchy.

The calculation is most sensitive to the following assumptions; discount rates, oil prices, reserves estimates and project risk. Changes in these assumptions, or the status of negotiations on the infrastructure access for the asset, could lead to a material change to the recoverable amount in future periods.

Other asset write offs in the Income Statement consisted of a US$0.2 million charge against obsolete inventory (2013: US$0.2 million).

Company

The Company has no E&E assets.

14. Property, Plant and Equipment

Group	Oil and gas properties US$000	Computer/IT Equipment US$000	Fixtures, Fittings & Equipment US$000	Total US$000
Cost				
1 January 2013	62,842	189	901	63,932
Disposals *	(62,842)	-	-	(62,842)
31 December 2013	-	189	901	1,090
Additions	-	-	-	-
31 December 2014	-	189	901	1,090
Depreciation and depletion				
1 January 2013	61,806	181	800	62,787
Charge for the year	1,036	8	101	1,145
Disposals *	(62,842)	-	-	(62,842)
31 December 2013	-	189	901	1,090
Charge for the year	-	-	-	-
31 December 2014	-	189	901	1,090
Net book amount				
31 December 2014	-	-	-	-
31 December 2013	-	-	-	-
1 January 2013	1,036	8	101	1,145

*The Kambuna field oil and gas properties were handed over to the Indonesian authorities on 31 December 2013.

Impairment of oil and gas properties
The net book amount of the Group's only producing asset was fully depleted in July 2013 following the cessation of production from the Kambuna field. No annual impairment test on the Group's property, plant and equipment was therefore required as at 31 December 2013.

Other
Depletion charges on oil and gas properties are classified within 'cost of sales'.

Borrowing interest payable costs relating to drilling of development wells, that have been capitalised within oil and gas properties during 2009, prior to the commencement of production, amounted to US$1,200,000, at a weighted average interest of 4.6%.

Company
The Company has no property, plant and equipment.

15. Investments

Company – Investment in subsidiaries	**Total US$000**
Cost:	
1 January 2013	132,684
Increase in investment	-
31 December 2013	132,684
Increase in investment	-
31 December 2014	132,684
Provision for impairment:	
1 January 2013	(118,854)
Impairment charge for the year	(13,830)
31 December 2013	(132,684)
Impairment charge for the year	-
31 December 2014	(132,684)
Net book amount:	
31 December 2014	-
31 December 2013	-
1 January 2013	13,830

In the Company financial statements, the cost of the investment acquired on the Reorganisation (see note 1) was calculated with reference to the market value of Serica Energy Corporation as at the date of the Reorganisation. As a UK company, under Section 612 of the Companies Act 2006, the Company is entitled to merger relief on its share reorganisation with Serica Energy Corporation, and the excess of US$112,174,000 over the nominal value of shares issued (US$7,475,000) has been credited to a merger reserve. Following the impairment charges recorded in 2010 and 2013 against the Company's investment in subsidiary undertakings, all amounts initially credited to the merger reserve have been eliminated.

Management has assessed the carrying value of investments in subsidiaries in the parent company balance sheet for impairment by reference to the recoverable amount.

The incremental provisions for impairment arising in 2013 of US$13,830,000 against the investment in subsidiaries, and US$26,170,000 against amounts owed by Group undertakings (see note 18) have been made following a fall in value in certain of the oil and gas assets held by the Company's subsidiary undertakings.

Details of the investments in which the Group and the Company (unless indicated) hold 20% or more of the nominal value of any class of share capital are as follows:

Name of company:	Holding	Nature of business	**% voting rights and shares held 2014**	**% voting rights and shares held** 2013
Serica Holdings UK Ltd	Ordinary	Holding	100	100
Serica Energy Holdings B.V. (i & iii)	Ordinary	Holding	100	100
Serica Energy (UK) Ltd (i)	Ordinary	Exploration	100	100
Serica Sidi Moussa BV (i & iii)	Ordinary	Exploration	100	100
Serica Foum Draa BV (i & iii)	Ordinary	Exploration	100	100
Serica Energy Slyne BV (i & iii)	Ordinary	Exploration	100	100
Serica Energy Rockall BV (i & iii)	Ordinary	Exploration	100	100
Serica Energy Namibia BV (i & iii)	Ordinary	Exploration	100	100
Serica Glagah Kambuna BV (i & iii)	Ordinary	Development	100	100
Serica Energy Corporation (i & ii)	Ordinary	Dormant	100	100
APD Ltd (i & ii)	Ordinary	Dormant	100	100
PDA Asia Ltd (i & ii)	Ordinary	Dormant	100	100
PDA (Lematang) Ltd (i)	Ordinary	Dormant	100	100

(i) Held by a subsidiary undertaking
(ii) Incorporated in the British Virgin Islands
(iii) Incorporated in the Netherlands

16. Other Non-current Assets

	Group		**Company**	
	2014 US$000	2013 US$000	**2014 US$000**	2013 US$000
Other receivables	247	1,293	-	-

Other receivables are represented by amounts recoverable from the Indonesian authorities relating to the Kambuna asset. Amounts at 31 December 2013 were disclosed net of an impairment of US$427,000.

17. Inventories

	Group		Company	
	2014	2013	**2014**	2013
	US$000	US$000	**US$000**	US$000
Materials and spare parts	-	258	-	-
	-	258	-	-

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs and transportation expenses. US$216,000 was expensed in the income statement as an asset write-off against materials and spare parts in 2014 (2013: US$168,000).

18. Other Current Receivables

	Group		Company	
	2014	2013	**2014**	2013
	US$000	US$000	**US$000**	US$000
Due within one year:				
Amounts owed by Group undertakings	-	-	57,513	97,416
Trade receivables	-	1,428	-	-
Amounts recoverable from JV partners	531	1,334	-	-
Other receivables	1,293	597	193	395
Prepayments and accrued income	528	492	351	337
Trade and other receivables	2,352	3,851	58,057	98,148
Financial assets	-	420	-	420

Trade receivables at 31 December 2013 arose from one customer, PLN.

None of the Group's receivables are considered impaired. The Directors consider the carrying amount of trade and other receivables approximates to their fair value.

Financial assets entirely relate to restricted cash on deposit with financial institutions securing various guarantees and performance bonds associated with the Group's trading activities. Management considers that there are no unreasonable concentrations of credit risk within the Group or Company. The financial assets disclosed above are not considered past due nor impaired.

At the reporting date the amounts owed by Group undertakings to the Company are disclosed net of an impairment of US$88,030,000 (2013: US$33,509,000) – see note 15.

19. Cash and Short-Term Deposits

	Group		Company	
	2014	2013	**2014**	2013
	US$000	US$000	**US$000**	US$000
Cash at bank and in hand	7,893	10,178	7,447	9,575
Short-term deposits	2,000	15,884	2,000	15,884
	9,893	26,062	9,447	25,459

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short to medium term deposit rates. The Group's exposure to credit risk arises from potential default of a counterparty, with a maximum exposure equal to the carrying amount. The Group seeks to minimise counterparty credit risks by only depositing cash surpluses with major banks of high quality credit standing, and spreading the placement of funds over a range of institutions.

Financial institutions, and their credit ratings, which held greater than 10% of the Group's cash and short-term deposits at the balance sheet date were as follows:

	S&P credit	Group		Company	
	rating	**2014**	2013	**2014**	2013
		US$000	US$000	**US$000**	US$000
HSBC Bank plc	A-1+	2,476	8,358	2,476	8,358
J.P. Morgan Chase	A-1	-	8,827	-	8,827
Barclays Bank plc	A-1	7,408	8,760	6,971	8,273

For the purposes of the consolidated and Company cash flow statement, cash and cash equivalents comprise the above amounts at 31 December.

20. Trade and Other Payables

	Group		Company	
	2014	2013	**2014**	2013
	US$000	US$000	**US$000**	US$000
Current:				
Trade payables	1,119	958	847	575
Other payables	2,879	3,459	320	384
	3,998	4,417	1,167	959

21. Provisions

Provisions for decommissioning and restoration of oil and gas assets are:

	2014	2013
	US$000	US$000
At 1 January	-	1,601
Unwinding of discount (see note 4)	-	6
Payments and utilisation of provision	-	(1,607)
At 31 December	-	-

The Kambuna field ceased production in July 2013 and the field decommissioning work programme was completed in November 2013. Although no decommissioning provision is recorded as at 31 December 2013 as the work had been completed, certain liabilities arising from the work programme had not been paid at that date and are recorded within trade and other payables.

Any payments made in prior periods into a restricted fund were recognised at the relevant Balance Sheet date as a separate asset within other receivables and not deducted from the gross liability.

22. Financial Instruments

The Group's financial instruments comprise cash and cash equivalents, bank loans and borrowings, accounts payable and accounts receivable. It is management's opinion that the Group is not exposed to significant interest, credit or currency risks arising from its financial instruments other than as discussed below:

> Serica has exposure to interest rate fluctuations on its cash deposits and bank loans; given the level of expenditure plans over 2015/16 this is managed in the short-term through selecting treasury deposit periods of one to six months. Cash and treasury credit risks are mitigated through spreading the placement of funds over a range of institutions each carrying acceptable published credit ratings to minimise concentration and counterparty risk.
>
> Where Serica operates joint ventures on behalf of partners it seeks to recover the appropriate share of costs from these third parties. The majority of partners in these ventures are well established oil and gas companies. In the event of non payment, operating agreements typically provide recourse through increased venture shares.
>
> Serica retains certain non US$ cash holdings and other financial instruments relating to its operations. The US$ reporting currency value of these may fluctuate from time to time causing reported foreign exchange gains and losses. Serica maintains a broad strategy of matching the currency of funds held on deposit with the expected

expenditures in those currencies. Management believes that this mitigates most of any actual potential currency risk from financial instruments.

It is management's opinion that the fair value of its financial instruments approximate to their carrying values, unless otherwise noted.

Interest Rate Risk Profile of Financial Assets and Liabilities

The interest rate profile of the financial assets and liabilities of the Group as at 31 December is as follows:

Group

Year ended 31 December 2014

	Within 1 year	**1-2 years**	**2-5 years**	**Total**
Fixed rate	**US$000**	**US$000**	**US$000**	**US$000**
Short-term deposits	2,000	-	-	2,000
				2,000

	Within 1 year	**1-2 years**	**2-5 years**	**Total**
Floating rate	**US$000**	**US$000**	**US$000**	**US$000**
Cash	7,893	-	-	7,893
				7,893

Year ended 31 December 2013

	Within 1 year	**1-2 years**	**2-5 years**	**Total**
Fixed rate	**US$000**	**US$000**	**US$000**	**US$000**
Short-term deposits	15,884	-	-	15,884
Short-term financial assets	420	-	-	420
				16,304

	Within 1 year	**1-2 years**	**2-5 years**	**Total**
Floating rate	**US$000**	**US$000**	**US$000**	**US$000**
Cash	10,178	-	-	10,178
				10,178

The following table demonstrates the sensitivity of finance revenue and finance costs to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on fixed rate short-term deposits and applicable bank loans).

Increase/decrease in interest rate	Effect on (loss) before tax 2014 US$000	Effect on (loss) before tax 2013 US$000
+0.75%	138	143
-0.75%	(138)	(143)

The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The interest rate profile of the financial assets and liabilities of the Company as at 31 December is as follows:

Company
Year ended 31 December 2014

Fixed rate	Within 1 year US$000	1-2 years US$000	2-5 years US$000	Total US$000
Short-term deposits	2,000	-	-	2,000
				2,000

Floating rate	Within 1 year US$000	1-2 years US$000	2-5 years US$000	Total US$000
Cash	7,447	-	-	7,447
				7,447

Year ended 31 December 2013

Fixed rate	Within 1 year US$000	1-2 years US$000	2-5 years US$000	Total US$000
Short-term deposits	15,884	-	-	15,884
Short-term financial assets	420	-	-	420
				16,304

Floating rate	Within 1 year US$000	1-2 years US$000	2-5 years US$000	Total US$000
Cash	9,575	-	-	9,575
				9,575

Credit risk

The Group's and Company's exposure to credit risk relating to financial assets arises from the default of a counterparty with a maximum exposure equal to the carrying value as at the balance sheet date. Where Serica operates joint ventures on behalf of partners it seeks to recover the appropriate share of costs from these third parties. The majority of partners in these ventures are well established oil and gas companies. In the event of non payment, operating agreements typically provide recourse through increased venture shares. Cash and treasury credit risks are mitigated through spreading the placement of funds over a range of institutions each carrying acceptable published credit ratings to minimise counterparty risk.

Foreign currency risk

The Group enters into transactions denominated in currencies other than its US dollar reporting currency. Non US$ denominated balances, subject to exchange rate fluctuations, at year-end were as follows:

	Group		**Company**	
	2014 US$000	2013 US$000	**2014 US$000**	2013 US$000
Cash and cash equivalents:				
Pounds sterling	4,663	8,386	4,362	8,100
Canadian dollars	-	1	-	1
Norwegian kroner	9	12	-	-
Euros	125	296	-	-

Accounts receivable:				
Pounds sterling	451	931	177	354

Trade payables:				
Pounds sterling	1,343	1,260	776	1,185
Canadian dollars	-	41	-	41
Euros	157	103	40	20

The following table demonstrates the Group's sensitivity to a 10% increase or decrease in the US Dollar against the Pound sterling. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in the foreign currency rate.

Increase/decrease in foreign exchange rate	Effect on (loss) before tax 2014 US$000	Effect on (loss) before tax 2013 US$000
10% strengthening of US$ against £GBP	377	806
10% weakening of US$ against £GBP	(377)	(806)

Liquidity risk

The table below summarises the maturity profile of the Group and Company's financial liabilities at 31 December 2014 based on contractual undiscounted payments. The Group monitors its risk to a potential shortage of funds by monitoring the maturity dates of existing debt.

Group

Year ended 31 December 2014	**Within 1 year**	**1 to 2 years**	**2 to 5 years**	**Total**
	US$000	**US$000**	**US$000**	**US$000**
Trade and other payables	3,998	-	-	3,998

Year ended 31 December 2013	**Within 1 Year US$000**	**1 to 2 years US$000**	**2 to 5 years US$000**	**Total US$000**
Trade and other payables	4,417	-	-	4,417

Company

Year ended 31 December 2014	**Within 1 year**	**1 to 2 years**	**2 to 5 years**	**Total**
	US$000	**US$000**	**US$000**	**US$000**
Trade and other payables	1,167	-	-	1,167

Year ended 31 December 2013	**Within 1 Year US$000**	**1 to 2 years US$000**	**2 to 5 years US$000**	**Total US$000**
Trade and other payables	959	-	-	959

Commodity price risk

During 2013, all of the Group's gas production was sold at fixed contracted prices.

All condensate production was sold at prices linked to the spot market. During much of the Kambuna field production period, fluctuations in condensate price were largely offset by variations in cost recovery.

The Group had no gas or liquid sales in 2014.

Fair values of financial assets and liabilities

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. As such the fair value hierarchy is not provided.

Capital management

The primary objective of the Group's capital management is to maintain appropriate levels of funding to meet the commitments of its forward programme of exploration and development expenditure, and to safeguard the entity's ability to continue as a going concern and create shareholder value. At 31 December 2014, capital employed of the Group amounted to US$66.3 million (comprised of US$66.3 million of equity shareholders' funds and US$nil million of borrowings), compared to US$102.1 million at 31 December 2013 (comprised of US$102.1 million of equity shareholders' funds and US$nil of borrowings).

At 31 December 2014, capital employed of the Company amounted to US$66.3 million (comprised of US$66.3 million of equity shareholders' funds and US$nil million of borrowings), compared to US$123.1 million at 31 December 2013 (comprised of US$123.1 million of equity shareholders' funds and US$nil million of borrowings).

23. Equity Share Capital

The concept of authorised share capital was abolished under the Companies Act 2006 and shareholders approved the adoption of new Articles of Association at the 2010 Annual General Meeting which do not contain any reference to authorised share capital.

The share capital of the Company comprises one "A" share of £50,000 and 250,179,039 ordinary shares of US$0.10 each. The "A" share has no special rights.

The balance classified as total share capital includes the total net proceeds (both nominal value and share premium) on issue of the Group and Company's equity share capital, comprising US$0.10 ordinary shares and one 'A' share.

Allotted, issued and fully paid: **Group**	Number	Share capital US$000	Share premium US$000	Total Share capital US$000
As at 1 January 2013	182,770,311	18,367	191,391	209,758
Shares issued (i)	67,408,729	6,741	11,459	18,200
As at 31 December 2013	250,179,040	25,108	202,850	227,958
Shares issued	-	-	-	-
As at 31 December 2014	250,179,040	25,108	202,850	227,958

Allotted, issued and fully paid: **Company**	Number	Share capital US$000	Share premium US$000	Total Share capital US$000
As at 1 January 2013	182,770,311	18,367	156,119	174,486
Shares issued (i)	67,408,729	6,741	11,459	18,200
As at 31 December 2013	250,179,040	25,108	167,578	192,686
Shares issued	-	-	-	-
As at 31 December 2014	250,179,040	25,108	167,578	192,686

i) In November 2013, the Company raised US$18.2 million (net of expenses) through the issue of 67,408,729 ordinary shares at 18 pence each. The issue price represented a discount of 1.4% to the mid-market price of 18.25 pence per ordinary share on 21 October 2013, the announcement date of the share placing and open offer being 22 October 2013.

24. Additional Cash Flow Information

Analysis of Group net cash
Year ended 31 December 2014

	1 January 2014 US$000	Cash flow US$000	Non-cash movements US$000	31 December 2014 US$000
Cash	10,178	(2,246)	(39)	7,893
Short-term deposits	15,884	(13,746)	(138)	2,000
	26,062	(15,992)	(177)	9,893

Year ended 31 December 2013

	1 January 2013 US$000	Cash flow US$000	Non-cash movements US$000	31 December 2013 US$000
Cash	14,595	(4,570)	153	10,178
Short-term deposits	7,750	7,872	262	15,884
	22,345	3,302	415	26,062

Analysis of Company net cash
Year ended 31 December 2014

	1 January 2014 US$000	Cash flow US$000	Non-cash movements US$000	31 December 2014 US$000
Cash	9,575	(2,101)	(27)	7,447
Short-term deposits	15,884	(13,746)	(138)	2,000
	25,459	(15,847)	(165)	9,447

Year ended 31 December 2013

	1 January 2013 US$000	Cash flow US$000	Non-cash movements US$000	31 December 2013 US$000
Cash	13,674	(4,247)	148	9,575
Short-term deposits	7,750	7,846	288	15,884
	21,424	3,599	436	25,459

25. Share-Based Payments

Share Option Plans

Following a Reorganisation in 2005 (see note 1), the Company established an option plan (the "Serica 2005 Option Plan") to replace the Serica Energy Corporation Share Option Plan (the "Serica BVI Option Plan"). The objective of these plans is to develop the interest of Directors, officers, key employees and certain consultants of the Group in the growth and development of the Group by providing them with the opportunity to acquire an interest in the Company and to assist the Company in retaining and attracting executives with experience and ability.

Serica Energy Corporation ("Serica BVI") was previously the holding company of the Group but, following the Reorganisation, is now a wholly owned subsidiary of the Company. Prior to the Reorganisation, Serica BVI issued options under the Serica BVI Option Plan and following the Reorganisation the Company has agreed to issue ordinary shares to holders of Serica BVI Options already awarded upon exercise of such options in place of the shares in Serica BVI to which they would be entitled. At 31 December 2014 there were options outstanding under the Serica BVI Option Plan entitling holders to acquire up to an aggregate of 700,000 ordinary shares of the Company. No further options will be granted under the Serica BVI option plan.

As at 31 December 2014, the Company has granted 20,332,460 options under the Serica 2005 Option Plan, 10,680,460 of which are currently outstanding. The Serica 2005 Option Plan will govern all future grants of options by the Company to Directors, officers, key employees and certain consultants of the Group.

The Serica 2005 Option Plan is comprised of two parts, the basic share option plan and a part which constitutes an Enterprise Management Incentive Plan ("EMI Plan") under rules set out by the H.M. Revenue & Customs in the United Kingdom. Options granted under the Serica 2005 Option Plan can be granted, at the discretion of the Board, under one or other of the two parts but, apart from certain tax benefits which can accrue to the Company and its UK employees if options are granted under the part relating to the EMI Plan meeting the conditions of that part of the Serica 2005 Option Plan, all other terms under which options can be awarded under either part are substantially identical.

The Directors intend that the maximum number of ordinary shares which may be utilised pursuant to the Serica 2005 Option Plan will not exceed 10% of the issued ordinary shares of the Company from time to time in line with the recommendations of the Association of British Insurers.

5,944,690 of the 10,680,460 options outstanding under the Serica 2005 Option Plan are exercisable only if certain performance targets being met. These include the following options subject to market conditions; 110,000 options awarded to an executive director in December 2005, 350,000 options awarded to an executive director in March 2008 and 1,425,000 options awarded to executive directors in January 2010. In April 2011, 200,000 options were awarded to an executive director and 200,000 options were awarded to an employee exercisable only if certain operational performance targets are met. In October 2012 a further 800,000 share options under the Serica 2005 Option Plan were granted to two current executive directors, all of these options are subject to performance conditions. Details of the performance conditions attached are provided in the Directors' Report. In November 2012, 400,000 options were granted to a consultant subject to performance conditions. In January 2014 a further 1,200,000 share options under the Serica 2005 Option Plan were granted to two current executive directors, all of these options are subject to performance conditions. Details of the performance conditions attached are provided in the Directors' Report.

The Company calculates the value of share-based compensation using a Black-Scholes option pricing model (or other appropriate model for those Directors' options subject to certain market conditions) to estimate the fair value of share options at the date of grant. There are no cash settlement alternatives. The estimated fair value of options is amortised to expense over the options' vesting period. US$337,000 has been charged to the income statement in continuing operations for the year ended 31 December 2014 (2013 – US$252,000) and a similar amount credited to the share-based payments reserve, classified as 'Other reserve' in the Balance Sheet. US$134,000 (2013 – US$128,000) of the total continuing operations charge was in respect of key management personnel (defined in note 8).

The options granted in 2014 and 2013 were consistently valued in line with the Company's valuation policy. Assumptions made included a weighted average risk-free interest rate of 3%, no dividend yield, a weighted average expected life of three years, and a volatility factor of expected market price of in a range from 50-70%. The weighted fair value of options granted during the year was £0.07 (2013:£0.15).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

Serica BVI option plan	**2014 Number**	**2014 WAEP Cdn$**	2013 Number	2013 WAEP Cdn$
Outstanding as at 1 January	1,900,000	1.46	1,900,000	1.46
Expired during the year	(1,200,000)	1.67	-	-
Outstanding as at 31 December	700,000	1.11	1,900,000	1.46
Exercisable as at 31 December	700,000	1.11	1,900,000	1.46

Serica 2005 option plan		**£**		**£**
Outstanding as at 1 January	9,108,460	0.50	9,058,460	0.52
Granted during the year	1,800,000	0.13	800,000	0.23
Expired during the year	(228,000)	0.32	(750,000)	0.40
Outstanding as at 31 December	10,680,460	0.44	9,108,460	0.50
Exercisable as at 31 December	4,735,500	0.74	4,513,500	0.76

The weighted average remaining contractual life of options outstanding as at 31 December 2014 is 5.8 years (2013: 5.5 years).

For the Serica BVI option plan, the exercise price for outstanding options at the 2014 year end ranges from Cdn$1.00 to Cdn$1.80 (2013: Cdn$1.00 to Cdn$1.80). For the Serica 2005 option plan, the exercise price for outstanding options at the 2014 year end ranges from £0.13 to £1.04 (2013: £0.18 to £1.04).

As at 31 December 2014, the following director and employee share options were outstanding:

Expiry Date	Amount	Exercise cost Cdn$
January 2015	600,000	600,000
June 2015	100,000	180,000
		Exercise cost £
November 2015	280,000	271,600
January 2016	135,000	139,725
June 2016	270,000	259,200
January 2017	243,000	247,860
May 2017	210,000	218,400
March 2018	594,000	445,500
March 2018	350,000	287,000
January 2020	2,203,500	1,498,380
April 2021	450,000	141,188
January 2022	2,144,960	458,485
October 2022	1,200,000	348,000
January 2023	400,000	109,000
November 2023	400,000	72,000
January 2024	1,800,000	234,000

On 16 January 2015, 600,000 share options under the Serica BVI Option Plan expired.

26. Commitments under Operating Leases

<u>Operating lease agreements where the Group is lessee</u>

At 31 December 2014 the Group has entered into commercial leases in respect of rental of office premises and office equipment.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group 2014 US$000	2013 US$000	Company 2014 US$000	2013 US$000
Not later than one year	129	137	-	-
Later than one year and not later than five years	-	-	-	-
	129	137	-	-

In March 2015, the Group entered into a new two year office operating lease on smaller premises with a minimum commitment period until February 2016, expiring in March 2017.

<u>Operating sublease agreements where the Group is lessor</u>

In January 2013 the Group entered into an operating sublease for part of its UK office, initially expiring in March 2014 but extended until March 2015. At 31 December 2014, future minimum rentals receivable under this sublease for a period not later than one year were US$30,000.

27. Capital Commitments and Contingencies

At 31 December 2014, other amounts contracted for but not provided in the financial statements for the acquisition of exploration and evaluation assets amounted to US$nil for the Group and US$nil for the Company (2013: US$1.2 million and US$nil respectively). The 2013 amounts related to costs incurred on Foum Draa drilling in Morocco in January 2014.

The Company also has obligations to carry out defined work programmes on its oil and gas properties, under the terms of the award of rights to these properties. The Company is not obliged to meet other joint venture partner shares of these programmes.

Non-Erskine commitments
The Group has no significant exploration commitments. The two exploration commitment wells on the Morocco licences have now been drilled. On the Company's Namibian licence, the value of work performed to date by the JV partners on the 3D Seismic acquisition programme has exceeded the minimum obligation expenditure on exploration work of US$15.0 million covering the entire initial four year period of the licence, ending in December 2015.

In the UK East Irish Sea, the Group's carry on the exploration well on the Doyle prospect is subject to a cap although no overrun is currently forecast. The Group has no significant commitments on its other exploration licences.

Other less material minimum obligations include G&G, seismic work and ongoing licence fees in the UK and Ireland.

Erskine field commitments
The completion of the Erskine field acquisition will bring certain financial commitments. Net revenues from the Erskine field are expected to assist Serica in building its cash resources over coming months and years, but the Group has obligations to pay to BP the three remaining 25% tranches of US$2.775 million (excluding interest) cash consideration on 1 July 2016, 1 July 2017 and 1 July 2018 respectively. In addition the Group is likely to fund further significant expenditure later in 2015 for its share of remedial and upgrade work on the Lomond processing facilities.

Other
The Group occasionally has to provide security for a proportion of its future obligations to defined work programmes or other commitments. As at 31 December 2013 it fulfilled this obligation through the Company providing US$0.4 million of cash collateral included as a financial asset (restricted cash). No such obligations and cash collateral existed as at 31 December 2014.

Where the Company enters into financial guarantee contracts and guarantees the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time that it becomes probable that the Company will be required to make a payment under the guarantee.

28. Related Party Transactions and Transactions with Directors

During the year ended 31 December 2014, a total sum of £122,500 was paid by the Company for consultancy services provided on behalf of Antony Craven Walker. All sums paid by the Company were promptly reimbursed by Antony Craven Walker and no net expense therefore incurred. The maximum amount outstanding at any one time was £12,375.

There are no other related party transactions, or transactions with Directors that require disclosure except for the remuneration items disclosed in the Directors Report and note 8 above. These disclosures include the compensation of key management personnel.

The Company's related parties consist of its subsidiaries and the transactions and amounts due to/due from them are disclosed in the accompanying notes to the Company financial statements.

29. Post Balance Sheet Events

As noted in the Financial Review, the Company expects to complete imminently the acquisition of an 18% interest in UK blocks 23/26a (Area B) and 23/26b (Area B) containing the Erskine Field, from BP.

Group Proved plus Probable Reserves – Unaudited

	Western Europe Oil mmbbl	Western Europe Gas bcf	Indonesia Oil mmbbl	Indonesia Gas bcf	Total Oil mmbbl	Total Gas bcf	Total Oil & gas mmboe
At 1 January 2014	1.5	21.9	0.0	0.0	1.5	21.9	5.2
Revisions to Contingent Resources	(1.5)	(21.9)	-	-	(1.5)	(21.9)	(5.2)
At 31 December 2014	-	-	-	-	-	-	-
Proved developed	-	-	-	-	-	-	-
Proved undeveloped	0.8	12.1	-	-	0.8	12.1	2.9
Probable developed	-	-	-	-	-	-	-
Probable undeveloped	0.7	9.8	-	-	0.7	9.8	2.3
At 31 December 2013	1.5	21.9	-	-	1.5	21.9	5.2

Proved and probable reserves are based on independent reports prepared by consultants Netherland, Sewell & Associates (for the Columbus Field in the UK North Sea) in accordance with the reserve definitions of the Canadian Oil and Gas Evaluation Handbook. Gas reserves at 31 December 2013 have been converted to barrels of oil equivalent using a factor of 6.0 bcf per mmboe for Western Europe (Columbus field reserves) on the basis of a nominal gas calorific value of 1,000 BTU per cubic foot.

The directors of Serica believe that in the current oil price environment, it is appropriate for these to now be properly considered as Contingent Resources rather than the previous categorisation as Reserves. In view of the reclassification, and since no new information relating to the field was obtained in 2014, it was not considered cost effective or necessary to obtain an updated report at the end of 2014.

In view of the field shut-in in July 2013 and subsequent handover to Pertamina, remaining economic hydrocarbon reserves as at 31 December 2012 were of an immaterial level, equating to the estimated levels of declining production in the remaining months of 2013 prior to handover. Accordingly no independent reserves audit was performed in 2012.