SERICAENERGY

DELIVERING ENERGY

ANNUAL REPORT 2021

CONTENTS

2021 PERFORMANCE

£135.1 MILLION

Full year profit before tax

DIVIDEND

An increased dividend of 9p to be recommended at 2022 AGM

ESG ADVANCES

Continued focus resulted in 16% reduction in flare volumes

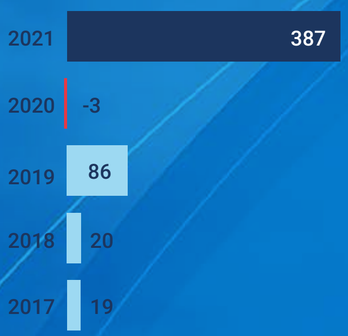
INVESTMENT

Through-cycle investment strategy brought R3 and Columbus wells to first production

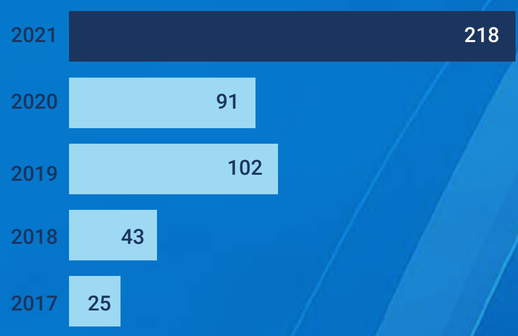
RESERVES

New CPR again indicates significant reserves upgrade despite allowing for 2021 production

Gross profit £m

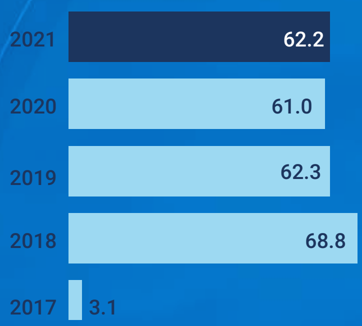


Cash resources* £m



* Combined cash plus hedging advances

Reserves mmboe



Dividend p/share

LOOKING TO THE FUTURE

Serica is benefiting from the retention of 100% of our BKR net cash flows, alongside new production from the Rhum R3 and Columbus wells at a time of strong commodity prices, placing us in a strong and stable position for 2022 and beyond

- A strong balance sheet, no debt, limited decommissioning liability
- Well positioned for ongoing M&A activity
- Continuation of our strategy of investing in our assets
- The Transocean Paul B Lloyd is contracted to drill the HPHT North Eigg exploration well which we expect to spud in Q3
- A Light Well Intervention Vessel campaign to enhance production on BKR wells is planned for summer

"Serica has seen a remarkable transformation from the very small company that we were only a few years ago and that is wholly due to the skill, dedication and experience of Serica's team."

Dear Shareholder,

The past 24 months have seen extraordinary swings in supply and demand for oil and gas resulting in massive movements in commodity prices, from the unprecedented lows of mid-2020 when most upstream producing companies were operating at a loss, to exceptional highs reached in late 2021 and continuing into 2022. Underlying price movements have been exacerbated by extreme gas price volatility in recent months, with both current and forward prices fluctuating daily. This has made forecasting and planning in the industry extremely difficult and comes at a time when the industry is also playing a major part in the energy transition and therefore having to find investment on many fronts.

Mindful of the volatile environment in which we work, Serica has always aimed to structure its finances so as to sustain its operations and investment programmes throughout the business cycle. This is evident in a robust balance sheet with strong cash reserves, and in a measured approach to taking on decommissioning and other fixed liabilities.

Over this period Serica managed its operations with a view to maintaining a constancy of production whilst also increasing investment in new gas projects such as Rhum R3 and Columbus, now yielding significant benefits. That this was achieved against the backdrop of ongoing COVID restrictions which impacted both onshore and offshore operations, speaks volumes for the skills and commitment of our operations teams. Serica is playing its part in the energy transition. Approximately 85% of Serica's production is gas which is fundamentally important both to security of the UK's domestic energy supply during periods of international crisis, such as we are currently experiencing, as well as to continuity of energy supply to support the period of transition to new energy sources.

Profits were strong at all levels compared to a difficult 2020. Gross profit for 2021 was £386.8 million compared with a prior year £2.9 million loss, illustrating the substantial changes that occurred during 2021. With oil and particularly gas price rises concentrated in the latter part of the year much of that increase took place in the second half but it was helped also by the successful outcome of the R3 and Columbus capital investment projects. Profit before tax for the year increased to £135.1 million (2020: £12.5 million) despite both provision for significant unrealised hedging exposure at the year end and a final adjustment, reflecting higher energy prices, to the fair value of the BKR net cash flow sharing arrangements which ended on 31 December 2021.

We enter 2022 with strong cash balances and no borrowings, prices remaining high and the retention of 100% of the cashflow from BKR. Year-end cash resources stood at £218.4 million comprising £103.0 million of cash and deposits plus a further £115.4 million lodged as security against settlement of future hedge instruments. At 20 April 2022 cash and deposits stand at £213.1 million plus £150.6 million lodged as hedge security. It is the view of the Board that this ongoing strengthening of our financial position provides us with the resources to make new investments both to improve our operating efficiencies and to seek out possible new sources of gas supply, such as North Eigg which we plan to drill later this year, as well as to support an acquisition programme to complement and build on our existing operations.

Our strengthened financial position also enables us to look to current and future shareholder returns. Shareholders have seen very material growth in the Company's share price as the underlying value of our assets and the efficiencies we have introduced become recognised. However, we also live in very uncertain times and it is the view of the Board that we have to maintain a prudent and balanced approach for the year ahead.

We are committed to maintaining a dividend at a level which reflects the growth in core asset value and liquidity but also reflects the unpredictability and capital requirements of the industry. To this end we are recommending an increased dividend of 9 pence per share for 2021. This compares with the dividend of 3.5 pence per share paid in respect of 2020 and maintains a dividend yield in line with that of prior years. This will be put to shareholders for approval at the Annual General Meeting in June 2022 and, subject to approval, will be paid as a single final dividend to all shareholders on the register at 1 July 2022.

We will also be seeking shareholder approval to enable possible future repurchases of our share capital. We have no immediate intention of making any share repurchases and would only do so if we saw benefit to shareholders but we feel that it is appropriate to make provision at this year's Annual General Meeting to enable us to make a repurchase should we see future shareholder benefit.

"As a British company operating major facilities in the North Sea we believe we have an important role to play."

Serica has seen a remarkable transformation from the very small company that we were only a few years ago. That this is wholly due to the skill, dedication and experience of Serica's team goes absolutely without saying. It requires discipline, hard work and focus but also requires an open working attitude, welcoming diversity and new ideas. Serica meets all of that and more. It has been a great pleasure for all of us on the Board to be able to work with a team like that.

As to the future, Serica wholly endorses the overall transition to Net Zero. We continue to make significant improvements in our own operations and annually publish a detailed ESG performance report on our website. We will continue to seek new ways in which we can be part of the transition. However, recent events have demonstrated that traditional energy sources will continue to be a fundamental part of the overall energy equation for many years to come. We see the need to maximise the value of the UK's own domestic resources as part of this but also to give the UK greater security of supply as well as generating major revenues for the UK with the added benefit of a much lower environmental impact than most import alternatives. As a British company operating major facilities in the North Sea we believe we have an important role to play.

In summary, the tragic events in Europe now taking place have underscored the importance of our own domestic resources. I am hopeful that, with the recent publication of the British Energy Security Strategy, government policy imbalances will now be corrected and that companies like Serica will be given the encouragement needed to continue the investment required to optimise the value and benefit of existing domestic resources whilst the development of new energy sources continues.

I and my fellow Board members are appreciative of the support we have received from shareholders during what are very complex times.

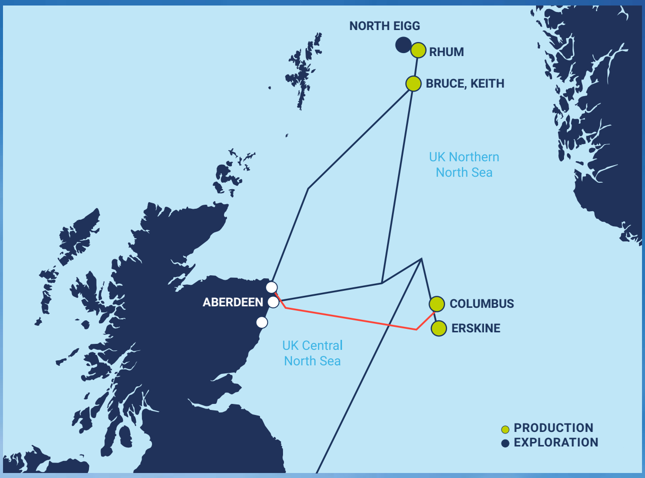
Tony Craven Walker
Chairman

20 April 2022

Serica is a nimble, dynamic company that has grown to become one of the UK's leading independent oil and gas Operators.

Our production is over 85% gas and is a vital part of the country's energy mix as we move towards Net Zero, contributing to energy supply, emissions accountability, and the UK economy.

We are responsible through our Bruce platform for more than 5% of the UK's gas production.



BRUCE, KEITH AND RHUM
SERICA 98% BRUCE, 100% KEITH, 50% RHUM

Serica acquired the BKR assets in 2018 and with the successful commissioning of the third Rhum well in 2021, BKR now accounts for more than 80% of Serica's total production.

COLUMBUS
SERICA 50%

Columbus was discovered by Serica in 2006. The development well was successfully drilled and completed last year, and the field commenced production in November 2021. Over 80% of Columbus production is gas.

ERSKINE SERICA 18%

The Erskine gas condensate field is operated by Ithaca Energy. The field has already produced more oil and gas than the 2P reserves independently assessed when Serica purchased its interest (effective date 1 January 2014) and production is expected to continue until 2028.

NORTH EIGG SERICA 100%

The North Eigg exploration prospect is estimated to contain 60 mmboe (P50) and potentially over 236 mmboe (P10) of recoverable resources (unrisked). Serica has contracted the Transocean Paul B. Loyd Jr. harsh environment semi-submersible drilling rig to drill the well in Q3 2022. Development concepts being investigated include a subsea tie-back to Serica's nearby Bruce facilities.

ONGOING INVESTMENT FOR GROWTH

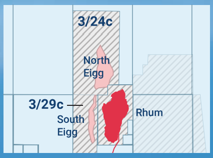
Serica's strong balance sheet with significant cash, no debt and limited decommissioning liabilities enables it to pursue its investment strategies unaffected by short-term commodity price fluctuations.

COMPLETED PROJECTS

2020/21
Rhum R3 intervention – well now online

2021
Columbus Development and first production

PLANNED PROJECTS



2022
North Eigg exploration well

2022
BKR intervention campaign

FIRMLY COMMITTED TO OUR STRATEGY TO DELIVER GROWTH

RESERVES UPGRADE

Serica's relentless focus on cost reduction and operating efficiency has resulted in further revisions to the Company's net 2P reserves.

Net 2P developed and undeveloped reserves (mmboe)

61.0 end 2020

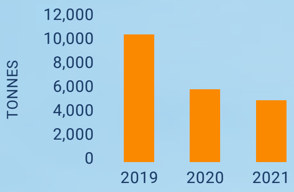
62.2 end 2021

Production during 2021

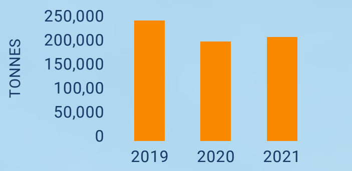
7.3mmboe

ESG IN OPERATION SINCE 2019

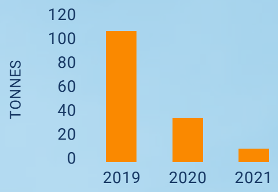
Total flaring volumes down 53%



Scope 1 CO_2 emissions down 13.5%



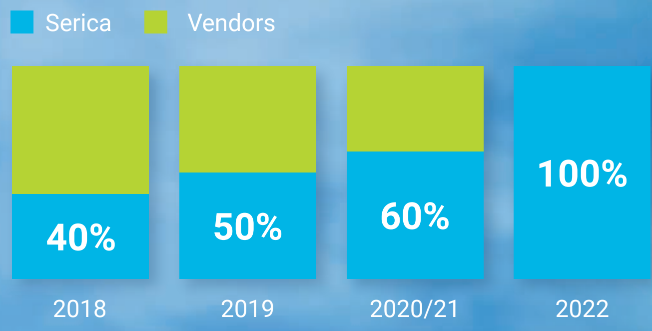
Waste to landfill down 88%



100% CASHFLOW FROM BKR ASSET

A major milestone for Serica was achieved on 31 December 2021 as the 2018 earn out deals with BP, Total E&P and BHP came to an end. Serica now benefits from 100% of its share of BKR cash flows. These innovative acquisition deals had shared risk and benefits with the vendors.

The mechanism has concluded at a time when commodity prices remain strong and our investment in BKR's R3 well is delivering increased production.



HEDGING PROGRAMME

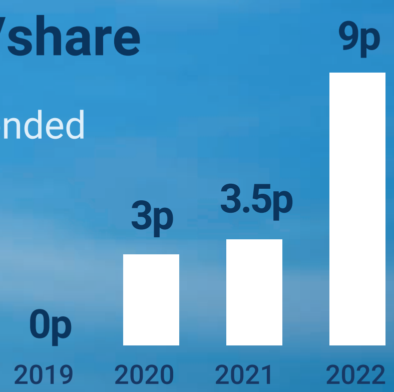
Serica has a hedging policy to provide downside protection in case of low commodity prices. This policy allowed Serica to maintain its investment policy through the 2020 commodity price downturn.

The Company sets a limit of 25% of projected gas volumes to be covered by swaps and other fixed price instruments (around 20% of combined oil and gas volumes). The level of cover declines from mid-2022 offering the Company further benefit from the current historically high gas prices and strong oil prices.

DIVIDEND

9p/share

recommended for 2022



"2021 has been a year in which Serica continued to execute its strategy of investing in our assets in order to both add value and prolong their life. The Company has a strong balance sheet with significant cash, no debt and limited decommissioning liabilities."

2021 has been a year in which Serica continued to execute its strategy of investing in our assets in order to both add value and prolong their life. The Company has a strong balance sheet with significant cash, no debt and limited decommissioning liabilities. This has allowed us to make these investments despite the backdrop of volatile commodity prices.

Two major capital growth projects were executed during the year. The Rhum R3 well intervention had commenced in 2020 and was finished in 2021. This was an ambitious programme to re-enter a well that had been suspended by the previous operator some 16 years previously. The workscope involved recovery of equipment left in the well by the previous operator, removal of an obstruction crossing parts of the downhole completion, installation of new completion equipment and then connecting the well up to the production facilities and commissioning production. First production was achieved in August 2021 and the well has added over 6,000 boe/d to Serica's net production from the field.

The second project was Serica's operated development of the Columbus field consisting of a single horizontal well tied into the Aran to Shearwater pipeline. The development well was drilled to a total depth of 17,600ft with a horizontal section of over a mile in length in the Forties Sandstone formation. First production was achieved in November 2021.

The result of these two projects was that Serica's net production has grown significantly through the year. Net production increased from an average 18,900 boe/d in 1H to 25,500 boe/d in 2H, rising to near 30,000 boe/d in December. Successful delivery of increasing production levels and higher commodity prices have resulted in gross cash revenues increasing month-on-month for each month from July to December 2021.

Both R3 and Columbus produce predominantly gas with the result that by the end of the year Serica's production consisted of more than 85% gas. Serica is making a significant contribution to UK gas supply with over 5% of the UK's gas production coming from Bruce, Keith and Rhum ("BKR"). Current UK government forecasts suggest that gas will remain a vital part of the UK's energy mix as we move towards Net Zero. Since becoming operator of the Bruce, Keith and Rhum hub, Serica has made significant reductions in flaring, greenhouse gas emissions and waste to landfill. Most importantly our production reduces the need for much higher carbon intensity hydrocarbon imports. Our third annual Environment Social and Governance ("ESG") Report which details the further improvements in our ESG performance during 2021, will be published in conjunction with the full Annual Report and will be found at www.serica-energy.com.

After a challenging year in 2020 when gas prices averaged below 25 pence per therm and oil prices averaged US$42/bbl we experienced a strong recovery in commodity prices during 2021. Average market gas prices for 2021 were over 113 pence per therm and oil prices averaged around US$70/bbl. As a result, Serica ended 2021 with £218.4 million of cash, cash equivalents and hedging advances of which £103.0 million was held in cash and deposits (2020: £89.3 million) and a further £115.4 million had been lodged as temporary security with gas price hedge counterparties (2020: £1.8 million). This security is required to cover future period gas price hedge valuations which reflect the impact of high forecast forward prices on hedged production but do not reflect the far greater revenues that would be realised should actual prices match those forward prices. Surplus security is returned to Serica should forward prices fall and when monthly contracts expire.

Serica has a hedging policy to provide downside protection in case of low commodity prices. In 2021 Serica had gas price hedging in place covering approximately 25% of retained gas sales (or around 20% of combined oil and gas production) after adjustment for net cash flow sharing. These hedges are in the form of swaps and equivalent fixed price instruments. The majority (>80%) of Serica's oil and gas production is now unhedged

“2021 was an outstanding year of progress for Serica, demonstrating the value of our through-cycle investment strategy, resulting in the R3 and Columbus projects reaching first production.”

allowing the Company to benefit from the current historically high gas prices and strong oil prices. Serica has downside protection for over 20% of projected gas volumes in 2022 but has added no gas price hedges since July 2021 due to extreme market volatility.

2021 production rates of 22,200 boe/d were a little lower than the 23,600 boe/d achieved in the previous year, primarily reflecting extended summer maintenance programmes to catch up work delayed from 2020 due to COVID restrictions. Serica has commissioned a new Competent Person’s Report (“CPR”) effective 1 January 2022 and I am delighted to announce that this has once again identified an upgrade to net 2P Reserves estimates, particularly due to the success of the R3 well intervention. Our net 2P reserves stood at 61.0 million boe at 1 January 2021 and our 2021 net production was more than 7.5 million boe but our net 2P reserves at 1 January 2022 stand at 62.2 million boe with reclassification and revisions having more than replaced 2021 production. This remarkable achievement is further evidence that Serica’s long-term strategy is delivering value.

At the end of 2021 a major milestone for Serica was achieved as the 2018 earn out deals with BP, Total E&P and BHP came to an end. These innovative acquisition structures had shared risk and reward with the BKR vendors during the period from 2018 to 2021. From 1 January 2022 Serica will now benefit from 100% of its share of BKR cash flows. The mechanism has concluded at a time when commodity prices remain strong and our investment in BKR’s R3 well is delivering increased production.

As we move into 2022, Serica is continuing the strategy of investing in its assets. The Transocean Paul B. Loyd Jr. harsh environment semi-submersible drilling rig has been contracted to drill the HPHT North Eigg exploration well which we expect to spud in Q3. This prospect is located in the area adjacent to the Serica operated Rhum field. In the event of a discovery, Serica will investigate options for a subsea tie-back to the nearby Bruce facilities and which require only platform topsides modifications to ensure a low cost, low emission design. This would enable early development, maximise recovery and optimise production. Serica has carried out an in-house evaluation of the prospect and estimates the unrisked P50 prospective (recoverable) resources, based on seismic mapping and Rhum analogue data, to be around 60 million boe.

The second capital growth project planned for 2022 is a campaign to add reserves and prolong production from BKR subsea wells. The scope of the campaign will be production re-instatement, well surveillance, production enhancement and well integrity activities on up to five BKR wells which are subsea completions tied back to the Bruce platform. The work will be carried out this summer using a Light Well Intervention Vessel (“LWIV”) equipped with a dive system.

Serica continues to seek new opportunities to expand our portfolio so as to spread risk and further increase production for delivery into the UK markets. We believe that the UKCS contains a wide range of merger and acquisition opportunities, but we have taken care to avoid overbidding in recent market conditions. Our priority remains to identify clear opportunities for value-addition through deploying our skills on assets that no longer fit the objectives of current owners.

Finally, I would like to recognise the outstanding performance of our 160 strong workforce who have achieved all of the above despite the continued restrictions created by the ongoing COVID-19 pandemic. Throughout the year we have operated with significantly limited staffing levels on the Bruce platform to reduce the risk of an outbreak, allow social distancing offshore and provide isolation areas for suspected cases. These reduced manning levels mean that the working conditions are more difficult for those staff remaining on the platform and mean that we have to prioritise essential (especially safety and environmentally critical) activities throughout the year. I am delighted to report that due to the incredible skill, hard work and professionalism of our team we have again incurred no COVID-related interruptions to production.

Mitch Flegg
Chief Executive Officer

20 April 2022

HSEQ is integral to our business. Our HSEQ Manager reports directly to our Chief Executive and our HSE Board Committee meets quarterly. We continuously focus on improving our HSEQ performance and during 2021 delivered a series of initiatives.

ELECTED SAFETY REPRESENTATIVES

Recognising the important role played by our Elected Safety Representatives, we have been working with them to raise their profile, and ensure they feel engaged and adequately supported. So far we have:

- Held 1-2-1 engagement sessions to listen to their concerns, suggestions, and create an improvement plan
- Helped to update ESR handovers, minutes, and meeting agendas
- Developed an ESR Charter, which includes both Serica and ESR commitments
- Reviewed the ESR training and development matrix

We have already seen an increased number of personnel volunteering to become ESRs as a result of this initiative, and are committed to further improvements in 2022.

PROCESS SAFETY MANAGEMENT

Process safety performance was positive in 2021, with no reportable hydrocarbon releases occurring on our operated assets. However, we recognise that risk is inherent in the production of hydrocarbons and that a strong process safety culture is crucial to protect our people, the environment, and our assets. In support of this objective, and alignment with industry bodies, we used resources provided by Step Change in Safety to improve organisational understanding of Major Accident Hazards and commenced a proactive evaluation of how well we are meeting OEUK's Principles of Process Safety Leadership

Plant reinstatement, following maintenance, has been noted as a common factor in process safety incidents by the Health and Safety Executive. Throughout 2021, we have reviewed, redefined, and simplified our procedures which control plant reinstatement, and believe this is another step towards eliminating the uncontrolled release of hydrocarbons on our assets.

In Q4 we were delighted to work with Joe Meanen, one of only 61 survivors from the Piper Alpha tragedy. Joe delivered a series of powerful and thought provoking webinars which left a lasting impression on the attendees.

In 2022, as part of our continued focus on process safety, we will be implementing IOGP's Process Safety Fundamentals to help deliver a consistent understanding of the causes and situations which can lead to process safety events.

HEALTH AND WELLBEING

Recognising the importance physical activity plays in our health and wellbeing, we participated in the industry wide exercise challenge RigRun for the first time in 2021. Our Bruce team finished as convincing winners of the RigRun Cup covering 15905.4 miles and 159948 minutes of exercise. There were some tremendous individual efforts but, overall, this was a fantastic team performance which boosted morale and will have long term health benefits for those involved.

Looking forward to 2022, our offshore team will participate in 2 RigRun events, and our onshore team will participate in the Virgin Pulse VP GO challenge.

CATEGORY*	2021	2020	2019
Day Away From Work Cases (DAFWC)	0	0	3
Restricted Work Injury/Illness	0	0	3
Medical Treatment Injury/Illness	1	0	1

* BKR statistics

"Our people are our most important asset, they drive our success and make us who we are as a company. We are committed to providing our team with a working environment that is safe, responsible, and respectful."

Craig Robertson
HSEQ Manager

HEALTH AND SAFETY PERFORMANCE

In another year beset by Covid challenges, health and safety performance on our operated assets remained positive, with a single recordable injury, a total recordable injury frequency of 0.4 per 200,000 manhours, and no lost or restricted workdays. Unfortunately, performance across our major projects was more challenging, but we are committed to learning from this experience and have redoubled our efforts to improve health and safety performance on major projects in 2022.

WELL INTEGRITY

Serica believes that the best practice for effectively managing the integrity of our wells is through proactive well monitoring and preventative maintenance. To this end, we have created and continue to develop our own Well Integrity Management System (WIMS), which is based around the OEUK Well Life Cycle Guidelines, and ISO 16530-1 Well Life Cycle principles. In combination with SafeWells, an application which provides a central repository of all well integrity data, implemented in 2020, our aim is to ensure that our wells are managed safely and responsibly through their lifecycle.

CONTRACTOR SAFETY

Contract personnel are responsible for 60%-70% of the working hours at Serica and, as a key part of our team, their contribution to our success is never underestimated. From the integration of HSEQ criteria in our contractor selection process, to hosting regular contractor HSEQ forums, we continue to focus on the establishment and maintenance of cooperative and supportive relationships.

COLLABORATION

Serica is committed to working with industry bodies and our peers to foster learning and share best practice. During 2021, our team actively supported working groups in Step Change in Safety, OEUK formerly OGUK, and presented at webinars hosted by industry bodies such as the Society of Petroleum Engineers.

Throughout 2021 Serica has been relentless in stressing the importance of ESG and the role that our staff, contractors and partners can play in helping Serica to achieve its goals.

We encourage all our staff and contractors to get involved in ESG, be it through emissions reduction ideas on the platform or by providing interview practice in secondary schools. We clearly demonstrate our commitment to ESG through bonus-related targets at all levels in the Company and consistent messaging that we value and encourage sustainable ways of working and giving back to the communities in which we work. We are proactively reporting to the 2021 updated GRI standards and have expanded our TCFD reporting alignment. We have also expanded our Scope 3 emissions reporting for projects and assets where emissions are controlled by others.

2020 BONUS-RELATED TARGETS	2021 OUTCOME
Carbon intensity of 17 kg/boe	17.8 kg/boe
Reducing flaring below 10.5 tonnes/day	9.7 tonnes/day
Total general waste from Bruce platform below 200 tonnes of general waste	199 tonnes
10 novel ESG initiatives approved and significantly advanced	Over 20
Proportion of workforce that is female above 10%	11.8%

Our ESG bonus-related targets for 2022 are:

- **Daily flare (CAT A) below 9.5 tonnes/day, total flare below 5,000 tonnes**
- **Scope 1 CO_2 emissions below 210,000 tonnes**
- **60% waste recycled, total general waste below 90 tonnes**
- **Develop a Methane Action Plan and establish a baseline**

Our staff understand the vital role they play as Serica is responsible for over 5% of the UK's domestic gas production that is processed through the Bruce facilities. This provides security of supply to the UK under a strict regulatory environment as well as providing jobs and supporting UK industry, compared to the alternative of importing fuel. The COVID pandemic highlighted the importance of our critical national infrastructure and this has become even more apparent in recent times with the war in Ukraine.

During 2021 we found more ways of targeting emissions reduction

We reduced our volumes of flared gas by setting low daily targets and having clear procedures on identifying and resolving causes of higher flaring.

Our skilled staff discuss emissions from flare and fuel gas on a daily basis and utilise software using artificial intelligence.

We formed the Bruce ESG Champions committee, located on the platform, who generated and executed a number of initiatives to reduce waste and emissions from day-to-day activities.

Longer term, our Emissions Reduction Group is looking at projects that will bring emissions down further, through equipment change out and enhancements.

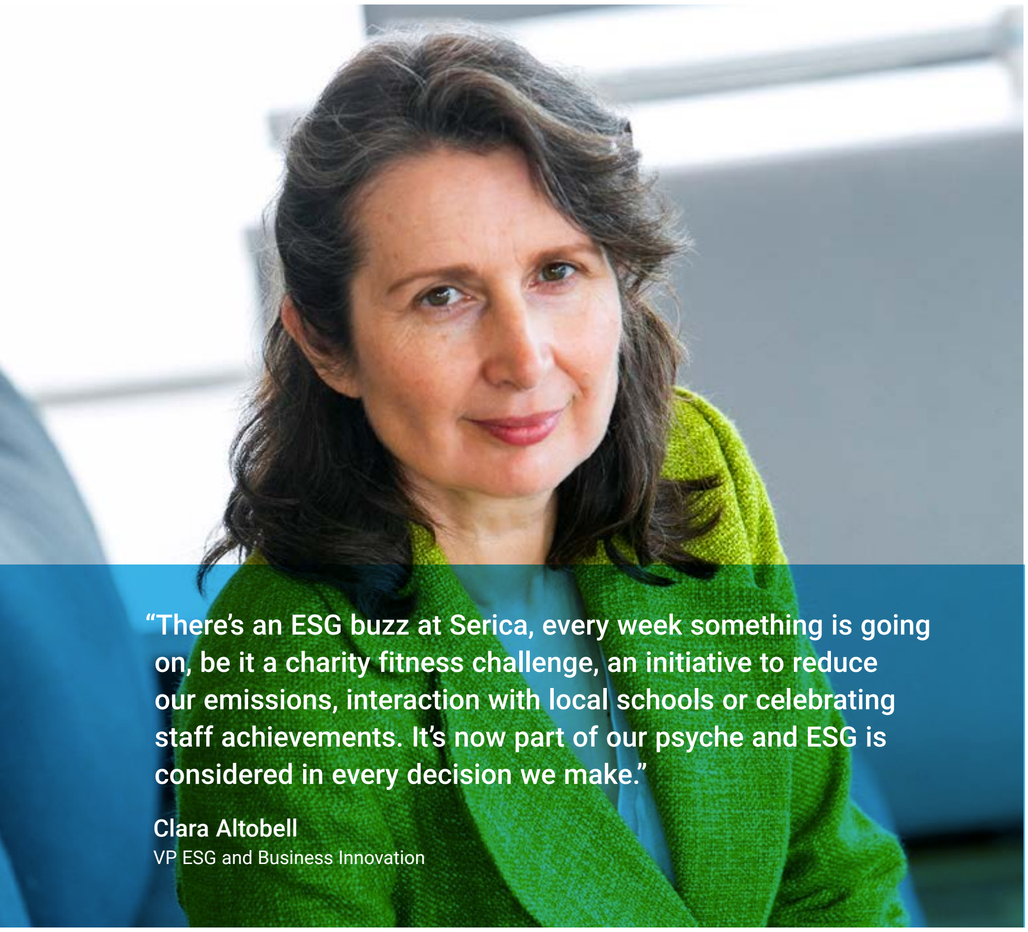
VP Operations Mike Killeen visits CLAN Cancer Support

Our staff led committees, Charity, Diversity and Inclusion, Education, Emissions Reduction and the Bruce ESG Champions all played a key role in our achievements for 2021. Our main charity for 2021 was CLAN who support the families of cancer patients in the Aberdeenshire area. We funded their 'Power to Help' campaign, sponsored their Lighthouse trail and raised money with a 5,000 mile staff cycling challenge. We also provided practical help to smaller charities, giving winter clothing via Abernecessities and supported refugees in the London area by donating school equipment. The committee welcomes suggestions from staff and has responded by providing sports equipment to kids' clubs and supporting the Mental Health Foundation, Trussel Trust and Movember amongst others.

We increased our proportion of women staff members by 23% compared to 2020, exceeding our target, although from a very low base. We changed our recruitment process to remove bias and increase diversity of applicants and a staff D&I survey identified areas for improvement. Unconscious bias training and regular staff engagement events enhanced the inclusivity of Serica's culture.

The Education Committee supported schools by donating Chromebooks to aid home learning, participated in school events, supported staff in their training needs and encouraged further education. Despite remote working we also offered three eight-week paid student placements. We continue to support the OPITO apprenticeship scheme, providing over £250,000 of funding per year.

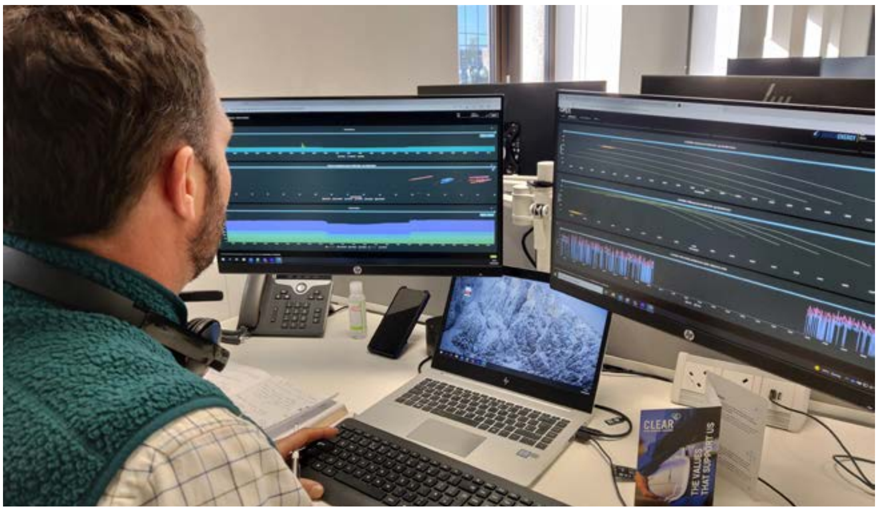
Our Governance section outlines in detail the Company Governance framework and how we manage risk and ensure ethical practices. Our Board has the appropriate skillsets to apply appropriate governance with backgrounds in business, legal, banking, finance, technical oil and gas and HSE. Serica is a member of



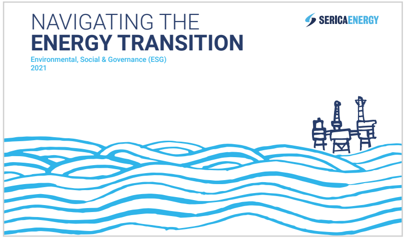
"There's an ESG buzz at Serica, every week something is going on, be it a charity fitness challenge, an initiative to reduce our emissions, interaction with local schools or celebrating staff achievements. It's now part of our psyche and ESG is considered in every decision we make."

Clara Altobell
VP ESG and Business Innovation

the UN Global Compact and follows its ten guiding principles and aligns with TCFD reporting recommendations. Our business management system ensures we have the appropriate policies to ensure ethical practices are followed. In 2021 we became a proud supporter of the Energy Services Agreement, which aims to deliver a fair, equitable and transparent base for minimum pay rates, holiday allowances and working hours for all workers of energy services companies across the UKCS.



Monitoring our emissions using the OPEX.AI tool



Our 2021 ESG Report is now published

Greenhouse Gas Emissions disclosure

As part of our GRI reporting, we provide a detailed data book of our Scope 1, 2 and 3 emissions for 2021 compared to 2020 in our 2021 ESG report, which will be released with our published 2021 Annual Report. Our Scope 1 emissions are those generated by the Serica operated Bruce facilities to provide power and compression to produce and export oil and gas from the Bruce, Keith and Rhum fields. This includes fuel gas usage, diesel, flared and vented gas. The company does not own any vehicles.

In 2021 we reduced the total volume of gas flared on Bruce by 16% compared to 2020 through a combination of increased monitoring, enhanced operating procedures and fewer plant interruptions. The Bruce facilities qualified for the UK Emissions Trading Scheme and so our emissions are reported, audited and verified based on this scheme. In 2021 our UK ETS emissions were 208,868 tonnes of CO_2, which is within 2% of our 2020 emissions which were 204,648 tonnes. This continues our efforts to keep emissions low and were 14% lower than 2019. Energy consumption on Bruce in 2021 was 975 GWh compared to 950 GWh in 2020. Carbon intensity, which is CO_2 emissions divided by production, was 17.8 kg CO_2/boe in 2021 compared to 17.5 kg CO_2/boe in 2020.

Other initiatives to reduce our emissions on Bruce included installation of AI based emissions monitoring software, changes to operating procedures and studies on waste heat recovery and compressor efficiency.

Our electricity usage in our Aberdeen operations headquarters was 11,895 kg of CO_2e for 2021 compared to 13,476 kg in 2020. Our London office emissions were 3,444 kg of CO_2e for 2021 compared to 2,578 kg in 2020. The offices were unattended for much of 2021 and we have introduced a blended working approach, giving staff more flexible working conditions, which will have the added benefit of keeping office emissions low. CO_2e was calculated using the UK Government GHG Conversion Factors for Company Reporting for 2021 issued by BEIS and DEFRA.

Northern North Sea: Bruce Field

Blocks 9/8a, 9/9b and 9/9c, Serica 98%

Serica operates the Bruce field and facilities consisting of three bridge-linked platforms, wells, pipelines and subsea infrastructure. The platforms contain living quarters for up to 156 people, reception, compression, power generation, processing and export facilities and a drilling derrick that is currently mothballed. There is also the subsea Western Area Development (WAD) that produces from the edges of the Bruce area.

Bruce production is predominantly gas which is rich in liquids. Gas is exported through the Frigg pipeline to the St Fergus terminal, where it is separated into sales gas and NGL's. Oil is exported through the Forties Pipeline System to Grangemouth.

COVID-19 continued to present a constant threat to society in 2021 and that was reflected in the challenges Serica faced in maintaining safe and efficient operations. The team continued to use social distancing offshore, pre-mobilisation testing, social distancing on transportation (including helicopters), and other practical control measures. In 2021 Serica added pre-mobilisation quarantine and offshore testing. Serica experienced no production impacts related to COVID in 2021.

The overall headcount offshore remained lower than previous years but by challenging the way work was executed, improving our use of technology, and further developing the synergies between different teams, we were able to carry out platform-based interventions; complete the strip down, recoat and return to service of the helideck; execute all planned wellhead maintenance and deliver a one month, planned maintenance outage within the restricted headcount. The use of the digital twin we built in 2020 was able to help the onshore team plan and synchronise these activities without the need to be physically present on the platform, allowing more time and space for the people who execute the scopes.

Bruce field production in 2021 averaged approx. 6,700 boe/d (2020: 9,600 boe/d) of exported oil and gas net to Serica. The latest independent estimate of reserves by RISC Advisory estimated 2P reserves of 15.8 million boe net to Serica as of 1 January 2022 (2021: 15.7 million boe) effectively replacing all of 2021 production.

Monitoring progress from the Dive Support Vessel as a diver at 120m depth undertakes essential electrical testing of the Bruce WAD subsea power distribution system

> **"Throughout 2021 the overall head count offshore remained lower than previous years, but we were able to effectively and safely carry out significant projects by challenging the way work was executed, improving our use of technology and further developing synergies between teams."**

Mike Killeen
VP Operations

Northern North Sea: Keith Field
Block 9/8a, Serica 100%
Keith is an oil field produced by one subsea well tied back to the Bruce facilities and requires very little maintenance. Keith produces at relatively limited rates but provides a low-cost contribution to the oil export from Bruce. The well has been shut in since early 2021 but in the second half of the year we were able to do a topsides-based investigation which has been used to define the scope of planning a return the field to production. The latest independent estimate of reserves by RISC Advisory estimated 2P reserves of 0.9 million boe net to Serica as of 1 January 2022 (2021: nil).

Northern North Sea: Rhum Field
Blocks 3/29a, Serica 50% and Operator
Rhum is a gas condensate field producing from three subsea wells tied into the Bruce facilities through a 44km pipeline. Rhum production is separated into gas and oil and exported to St Fergus and Grangemouth along with Bruce and Keith production. Rhum gas has a higher CO_2 content than Bruce gas and so is blended with Bruce gas before leaving the offshore facilities.

COVID not only added to the complexity of core offshore operations but it also added to the challenges Serica experienced when, during late 2020 and 1H 2021, Serica successfully carried out intervention work on the third Rhum well, R3, to bring it into production for the first time.

R3 originally encountered technical issues while it was being completed in 2006 and had remained shut in ever since. The intervention removed the hydrate that had formed whilst the well was being completed and also recovered equipment which had been stuck downhole during the original operations. The intervention also required us to remove the original 5½ inch completion equipment and replace it with a new 7 inch completion. After a visit from a diving support vessel ("DSV") to install the subsea control equipment, the well was brought into production on 23 August 2021. The well has since demonstrated a capability to produce at rates in excess of 12,000 boe per day gross giving a significant boost to overall Rhum production capacity and resilience.

Average Rhum production capability in 2021 before R3 was commissioned was approximately 12,500 boe/d net to Serica and once R3 was brought into production, it averaged some 18,000 boe/d over the remainder of the year. The latest independent estimate of reserves by RISC Advisory estimated 2P reserves of 37.2 million boe net to Serica as of 1 January 2022 (2021: 35.1 million boe). This represented a significant upgrade in reserves after taking account of production in 2021.

Central North Sea: Erskine Field
Blocks 23/26a (Area B) and 23/26b (Area B), Serica 18%
Serica holds a non-operated interest in Erskine, a gas and condensate field located in the UK Central North Sea. Serica's co-venturers are Ithaca Energy 50% (operator) and Harbour Energy 32%.

Erskine is produced through five production wells over the Erskine normally unattended installation, transported to the Lomond platform via a multiphase pipeline and processed on the platform. Then condensate is exported down the Forties Pipeline System via the CATS riser platform at Everest and gas is exported via the CATS pipeline to the CATS terminal at Teesside. Serica provides a secondee as part of the offshore management team on the Lomond platform which is 100% owned and operated by Harbour Energy.

The field was shut down for approximately three months in mid-2021 to allow the replacement of equipment on the Erskine production module ("EPM") sited on the Lomond platform. The outage also included work to improve the reliability of the EPM and other maintenance programmes.

The Erskine production levels in 2021 averaged approx. 1,650 boe/d net to Serica (2020: 2,300 boe/d) after the significant maintenance and upgrade outage. An updated independent audit of the Erskine field by RISC Advisory confirmed Serica's share of estimated 2P reserves at 3.4 million boe as of 1 January 2022 (2021: 3.1 million boe). The level of estimated remaining reserves at the beginning of 2022 matched those at the point of acquisition in June 2015 with all production in the intervening period effectively having been replaced through reserves upgrades to-date.

> “The Bruce Hub is at the core of Serica’s business. We continue to be focused on investing in our assets both in terms of upgrading equipment to improve reliability and lower emissions, and increased production opportunities”

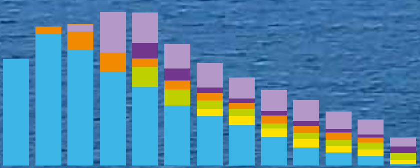
Carol Stewart
North Sea Business Manager

OUR STRATEGY TO MAXIMISE THE ECONOMIC LIFE OF BRUCE

Serica’s strategic objective for the Bruce Hub is to maximise its economic life. In pursuit of this objective, Serica will:

- Operate safely and fulfil our ESG and HSE responsibilities
- Seek to sustain base production through management of the existing well stock including well work, investing in maintenance of the facilities and efficiently controlling operating costs
- Aim to enhance utilisation of the Bruce facilities through investment in equity production and attracting third-party business

We will harness technology and innovate to maximise the economic life of the Bruce Hub



"2021 saw Serica's Columbus Development brought on stream and investment in growth continues in 2022 with potentially high impact exploration."

Fergus Jenkins
VP Technical

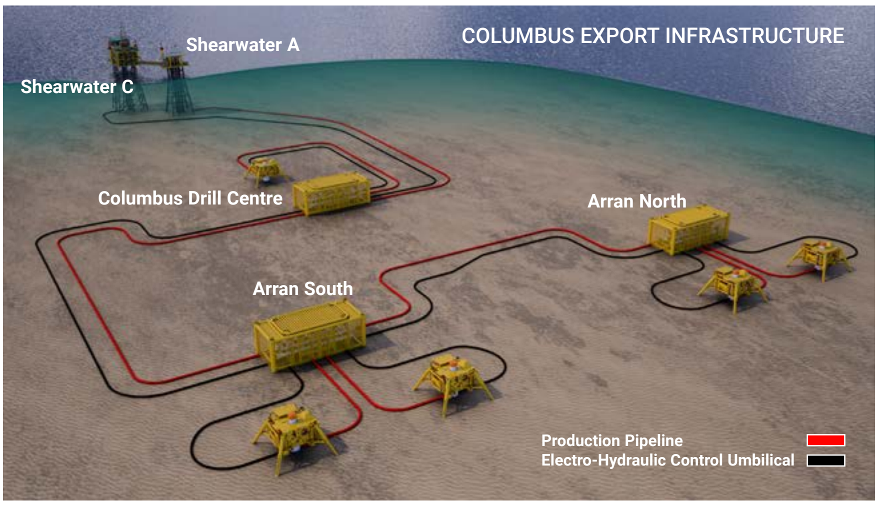
Central North Sea: Columbus Development
Blocks 23/16f and 23/21a (part)
Serica 50% and Operator
Serica is operator of Columbus with partners Tailwind Mistral Limited (25%) and Waldorf Production Limited (25%). The field is located in the Eastern Central Graben, UK Central North Sea and the reservoir is located within the Forties Sandstone. Although Columbus is designated within the Lomond Field Area, it is independent of Lomond, having separate development consent, export route and licence terms.

The development comprises a single subsea well drilled to a total depth of 17,600ft with a 5,600ft horizontal section through the reservoir, connected to the Arran-Shearwater export pipeline. Columbus production is exported through the pipeline along with Arran field production. The Arran field has been developed in parallel with Columbus and its export pipeline to the Shearwater platform was re-routed a short distance to pass close to the Columbus wellhead location. When co-mingled production from Arran and Columbus reaches the Shearwater facilities, it is separated into gas and liquids and exported via the SEGAL line to St Fergus and Forties Pipeline System to Cruden Bay respectively.

Planning for the development began as soon as FDP approval was received in October 2018. Serica worked closely with Shell, the operator of the Arran field and Shearwater platform, to ensure effective construction and operation of the two developments. The Columbus horizontal development well and the Arran development wells were drilled during 2021 and Columbus production commenced in November of that year.

During the first full month of production, December 2021, Columbus produced 6,498 boe/d gross of which 82% was gas. The start-up of production has coincided with strong commodity prices offering a rapid payback of capital investment. Current performance is being monitored to assess the field's future production capability.

The latest independent report of reserves, compiled by RISC Advisory, estimated 2P reserves of 4.9 million boe net to Serica as at 1 January 2022 (2021: 7.1 million boe). Previous estimates were pre-drill and these have now been updated following modelling using actual data from the well. The reserves model will continue to be updated as more production and other data becomes available.



REVIEW OF OPERATIONS – EXPLORATION

UK

North Eigg and South Eigg – Blocks 3/24c and 3/29c

Serica 100% and Operator

In December 2019, Serica was awarded the P2501 Licence as part of an out-of-round application; this comprises Blocks 3/24c and 3/29c and contains the North Eigg and South Eigg prospects. The official start date for the licence was 1 January 2020. The work programme involves reprocessing seismic and drilling an exploration well within three years of the start of the licence. The North Eigg prospect has been high-graded for drilling, being clearly visible on 3D seismic data and sharing many similarities with the nearby Rhum field, operated by Serica.

Preparation for the exploration well, which is expected to be high temperature and high pressure, is fully under way. Long-lead items have been ordered and a drilling rig has been contracted. Operational planning and applications for regulatory approval are in progress.

In the event of a commercial discovery, Serica would seek a fast-track route to develop the field; an option would be a subsea tie-back to the Serica operated and 98% owned Bruce facilities, which are to the south of the prospect. This solution would both provide Serica with potentially significant additional reserves and reduce combined unit operating costs, which could extend the economic life of this strategic North Sea infrastructure. The use of existing offtake facilities would also significantly restrict additional carbon emissions. The Company is undertaking conceptual design studies aimed at identifying ways that such a development could be undertaken while working within the framework of the North Sea Transition Deal agreed between the industry and government to expedite the energy transition.

Skerryvore and Ruvaal– Blocks 30/12c (part), 30/13c (split), 30/17h, 30/18c and 30/19c (part)

Serica 20%, Operator Parkmead

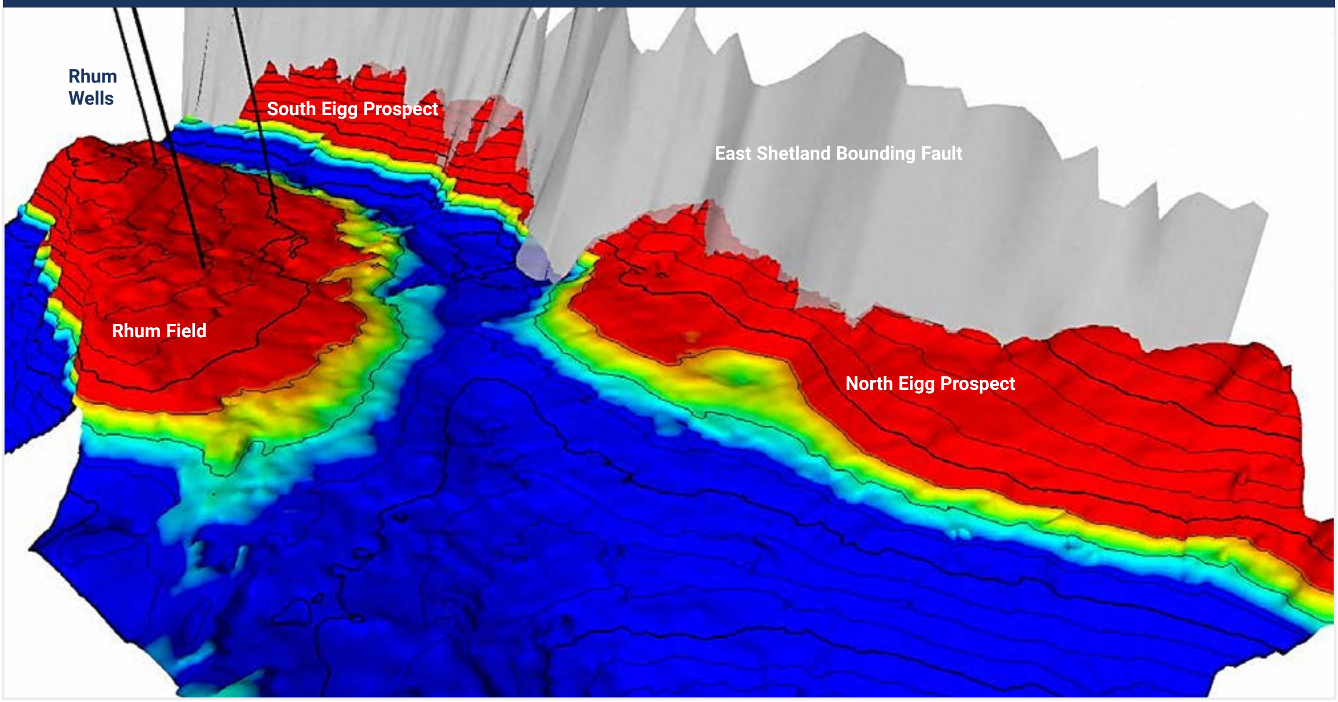
The Skerryvore and Ruvaal prospects lie in the Central North Sea, 60km south of the Erskine field. Potential for both sandstone and chalk reservoirs has been identified.

Over 500km² of 3D seismic data was purchased over the licence areas. However, the company that was contracted to reprocess the data and enhance it prior to interpretation, was unable to deliver the new dataset in the agreed timescale. That meant it was not possible to undertake the necessary work programme in time to make a drilling decision by the end of the initial three-year term, in September 2021. An extension application was therefore submitted to the Oil and Gas Authority which approved an extension of the current phase of the licence to the end of September 2022.

Licence Awards in the UK 32nd licensing round

In December 2020 Serica was formally awarded four new blocks in the UK 32nd licensing round. Blocks 3/25b, 3/30, 4/26 and 9/5a are in the vicinity of the Bruce hub and include several leads which, if successful, could be tied back to Serica's existing infrastructure, or to other facilities in the region. The work programme does not include any commitment wells but is designed to mature these leads to drill-ready status. A decision on whether to continue with the licences is due before the end of 2022.

NORTH EIGG EXPLORATION WELL, HIGH GRADED TO DRILL IN 2022



GROUP PROVED PLUS PROBABLE RESERVES (“2P”)

Group Proved plus Probable Reserves (“2P”)

	Oil mmbbl	Gas bcf	Total oil and gas mmboe
2P Reserves at 31 December 2020	**12.8**	**289.2**	**61.0**
2021 production	(1.2)	(36.7)	(7.3)
Revisions	1.6	41.6	8.5
2P Reserves at 31 December 2021	**13.2**	**294.1**	**62.2**

* Total Group gas reserves at 31 December 2020 and 2021 have been converted to barrels of oil equivalent using a factor of 6.0 bcf per mmboe for reporting and comparison purposes. As the actual calorific values of gas produced from individual fields vary, reported production rates for each field and the total production and revisions numbers reported above may not convert precisely.

Group Proved and Probable reserves at 31 December 2021 shown here are extracted from an independent report prepared by RISC Advisory (“RISC”) in accordance with the reserve definitions guidelines defined in SPE Petroleum Resources Management System 2018 (“PRMS 2018”). RISC were familiar with the assets, having also completed an audit in the previous year.

Figures quoted relate to export fluids, so fuel used in operation has already been subtracted.

Aggregate reserves revisions result from several factors, including field production performance in the time between audits and prevailing commodity prices, which are used for the economic evaluation.

Some volumes classified as contingent resources during the previous audit have now been re-classified as reserves, primarily because work has been included in the approved forward work programme to address previously identified issues and to further enhance production. In addition, the Rhum R3 well has performed at the upper end of expectations since its successful workover.

Columbus reserves had a downward revision due to geological modelling updates which used data gathered during drilling of the development well.

Serica has assumed the cessation of production (COP) for all current assets will occur no later than the end of 2030 and this view was supported by RISC. As part of the ‘North Sea Transition Deal’ the UK plans ‘Zero Routine Flaring’ at the end of 2030. Continuing production past this date would require a major investment related to flare gas recovery. This is not in the current plans for Serica’s assets. Flare gas recovery may however become economically feasible if additional volumes are tied back to the platform in future.

LICENCE HOLDINGS

The following table summarises the Group's licences as at 31 December 2021.

Licence	Block(s)	Description	Role	%	Location
United Kingdom					
P.090	9/9a Bruce	Bruce Field Production	Operator	99%	Northern North Sea
P.090	9/9a Rest of Block Excluding Bruce (REST)	Development	Operator	98%	Northern North Sea
P.198	3/29a (ALL)	Rhum Field Production	Operator	50%	Northern North Sea
P.209	9/8a Bruce	Bruce Field Production	Operator	98%	Northern North Sea
P.209	9/8a Keith	Keith Field Production	Operator	100%	Northern North Sea
P.209	9/8a Rest of Block Excluding Bruce and Keith (REST)	Development	Operator	98%	Northern North Sea
P.276	9/9b BRUCE	Bruce Field Production	Operator	98%	Northern North Sea
P.276	9/9c (ALL)	Bruce Field Production	Operator	98%	Northern North Sea
P.276	9/9b Rest of Block Excluding Bruce Unit (REST)	Development	Operator	98%	Northern North Sea
P.566	3/29b (ALL)	Rhum Field non-unitised production	Operator	100%	Northern North Sea
P.975	3/24b (ALL)	Rhum non-unitised production	Operator	100%	Northern North Sea
P.975	3/29d (ALL)	Rhum non-unitised production	Operator	100%	Northern North Sea
P101	23/21a Columbus	Columbus Development Area	Operator	50%	Central North Sea
P1314	23/16f	Columbus Development Area	Operator	50%	Central North Sea
P57	23/26a	Erskine Field – Production	Non-operator	18%	Central North Sea
P264	23/26b	Erskine Field – Production	Non-operator	18%	Central North Sea
P2400	30/12c, 30/13c, 30/17h, 30/18c	Exploration	Non-operator	20%	Central North Sea
P2402	30/19c	Exploration	Non-operator	20%	Central North Sea
P2501	3/24c, 3/29c	Exploration	Operator	100%	Northern North Sea
P2506	3/25b, 3/30, 4/26, 9/5a	Exploration	Operator	100%	Northern North Sea

"A combination of successful investment and high gas prices boosted gross profit to £386.8 million (2020: loss of £2.9 million) and cash flow from operations to £157.6 million (2020: £44.1 million)"

Andrew Bell
Chief Financial Officer

Field revenues and costs are booked for Serica's full equity interests and included within gross profits. Under the BKR deals, amounts are due to the asset vendors for net cash flow sharing (40% in both 2020 and 2021) and certain other deferred payments. Estimates of these amounts were included within the fair value upon acquisition and subsequent changes are included as 'Change in fair value of BKR financial liability' within profit before tax for each reported period. 2021 is the last year to which net cash flow sharing arrangements apply and Serica retains 100% of BKR net cash flow from 2022 onwards.

2021 Results

Serica generated a profit before taxation of £135.1 million for 2021 compared to £12.5 million for 2020. After current and deferred tax provisions of £55.8 million (2020: £4.8 million), profit for the year was £79.3 million compared to £7.8 million for 2020.

Gross profit was boosted during the second half of the year by a combination of increased production from successful operations on the Rhum R3 and Columbus wells and high gas prices. However, a surge in future period gas pricing also caused significant non-cash accounting provisions resulting from the Group's hedging position, which reduced operating profits.

During 2H 2021 some 2022/3 gas price swaps were replaced by equivalent fixed pricing for the same volumes under gas sales contracts. This has created gas contract liabilities valued at the point of replacement in August 2021 and held at that value without revaluation. The liabilities are then extinguished when the relevant gas volumes are delivered. Consequently, at year-end Serica's gas price hedging comprised a mix of gas price swaps, fair valued at the balance sheet date, and fixed pricing under gas sales contracts held at initial value until extinguished.

The unrealised expense arising from valuations related to future period gas price hedging will only become fully realised should actual gas sales prices for 2022 and 2023 reach the levels assumed in such valuations. In addition, they do not factor in the substantial benefits that would be realised from unhedged gas sales should actual prices for those future periods match such forward gas market pricing.

The strong 2H 2021 sales revenues also generated a significant fair value charge against profit before taxation caused by an increase in BKR net cash flow sharing payments. 2021 is the final year to which these apply.

Sales revenues

Total product sales volumes for the year comprised approximately 373.7 million therms of gas (2020: 386.3 million therms), 778,600 lifted barrels of oil (2020: 1,002,000 barrels) and 52,400 metric tonnes of NGLs (2020: 71,800 metric tonnes). Overall, this represented total 2021 product sales of 20,900 boe/d (2020: 22,400 boe/d) delivering total revenue of £514.1 million (2020: £125.6 million). This consisted of BKR revenues of £463.4 million (2020: £108.8 million), Erskine revenues of £36.3 million (2020: £16.8 million) and Columbus revenues of £14.4 million (2020: nil).

Average sales prices net of system fees were 122 pence per therm (2020: 21 pence per therm), US$71.4 per barrel (2020: US$42.4 per barrel) and £340 per metric tonne (2020: £176 per metric tonne) respectively, giving a combined realised sales price for lifted volumes of approximately US$93 per barrel of oil equivalent (2020: US$20 per boe). This is before gas price hedging costs detailed below.

Gross profit

The gross profit for 2021 was £386.8 million compared to a gross loss of £2.9 million for 2020. Overall cost of sales of £127.3 million compared to £128.6 million for 2020. This comprised £97.1 million of operating costs (2020: £89.7 million) and £37.0 million of non-cash depletion charges (2020: £38.5 million) plus a £6.9 million credit representing a reduction during the year of the opening liquids underlift position (2020: charge of £0.3 million).

Operating costs comprise production, processing, transportation and insurance and also included some non-recurring charges. Operating costs per boe were US$16.47 compared to US$14.12 for 2020. The increase in costs per boe reflected reduced production volumes for 2021 and increased workscope following COVID restrictions in 2020. Higher production volumes projected for 2022 offer the prospect of reduced costs per boe.

Operating profit before BKR fair value adjustment, net finance revenue and tax

The operating profit for 2021 was £246.1 million compared to a loss of £18.7 million for 2020. This included realised gas price hedging expenses of £56.6 million (2020: gain of £12.3 million) plus unrealised hedging expenses of a further £74.6 million (2020: £16.6 million).

There were no E&E asset write-offs for 2021 (2020: £3.7 million). Administrative expenses for 2021 of £6.1 million compared to £5.6 million for 2020 whilst share-based payments were £2.4 million (2020: £1.9 million) and currency losses were £0.9 million (2020: £0.3 million) largely arising on US$ holdings.

Profit before taxation and profit for the year after taxation

Profit before taxation for 2021 was £135.1 million (2020: £12.5 million) after a £110.5 million charge arising from an increase in the fair value of the BKR financial liability (2020: credit of £31.3 million) and £0.4 million of net finance costs (2020: £nil). Net finance costs represent the discount unwind on decommissioning provisions less interest earned on cash deposits.

The fair value charge of £110.5 million arose following an increase in the remaining financial liabilities to be paid under the BKR agreements. The fair value of these liabilities, which are described under BKR asset acquisitions below, is re-assessed at each financial period end and the most significant factors behind the increase in the year are the impacts of significantly higher production and gas prices on BKR net cash flow payments in respect of the second half of 2021.

The 2021 taxation charge of £55.8 million (2020: £4.8 million) comprised current tax charges of £15.8 million (2020: £nil) and non-cash deferred tax provisions of £40.0 million (2020: £4.8 million). As the Company has utilised its losses carried forward from previous years during 2021, cash taxes are expected to be payable on future income.

Overall, this generated a profit after taxation of £79.3 million for 2021 compared to a profit after taxation of £7.8 million for 2020.

Group Balance Sheet

The Company retained a strong balance sheet during the year allowing it to sustain a significant capital investment programme without recourse to additional funding whilst also sustaining and increasing its dividend.

An increase in exploration and evaluation assets from £1.0 million in 2020 to £2.9 million at 31 December 2021 reflected new expenditure on UK licences during the year.

Total property, plant and equipment increased from £311.1 million at year end 2020 to £328.9 million at 31 December 2021. Net book amount additions comprised capital expenditure on Columbus and Rhum during 2021 of £50.2 million (2020: £25.5 million) and an initial decommissioning asset of £4.8 million capitalised on the set up of an equivalent decommissioning provision for the Columbus field. These were offset by depletion charges for 2021 of £37.0 million (2020: £38.5 million) and other depreciation charges of £0.2 million (2020: £0.2 million). Depletion charges represent the allocation of field capital costs over the estimated producing life of each field and comprise costs of asset acquisitions and subsequent investment programmes.

An inventories balance of £4.1 million at 31 December 2021 showed little change from £4.6 million at the end of 2020. An increase in trade and other receivables from £39.5 million at the end of 2020 to £132.4 million (excluding hedging security advances) at 31 December 2021 largely reflected higher prices and volumes for December gas sales. Hedging advances of £115.4 million at 31 December 2021 (2020: £1.8 million) represented cash security lodged with commodity hedging counterparties which reflected the very high gas prices at the end of 2021. This will be returned to Serica should forward gas prices fall or when monthly contracts are settled.

The increase in cash balances from £89.3 million at 31 December 2020 to £103.0 million at 31 December 2021 reflected cash flow from operations of £157.6 million mainly offset by the significant capital expenditures of £52.1 million (2020: £26.6 million), £81.3 million of net cash flow payments and other consideration to BKR counterparties (2020: £21.8 million) and dividends totalling £9.4 million (2020: £8.0 million) during the year.

Current trade and other payables increased to £49.5 million at 31 December 2021 from £31.1 million at the end of 2020. The balance at 31 December 2021 includes UK corporation tax payable of £15.8 million (2020: £nil).

The derivative financial liabilities of £45.8 million at 31 December 2021 (2020: £9.7 million) represents the valuation of gas price swaps in place at year end and the consequent amounts projected to be due based upon futures pricing prevailing at those points. Year end 2021 pricing reflected a particularly strong surge in forward prices which, should it be realised, would deliver greatly increased gas sales revenues during 2022 and 2023.

Gas contract liabilities arising from the replacement of some gas price swaps by contracted fixed price elements as described above, are split between current liabilities of £37.5 million and non-current liabilities of £1.0 million. Although gas contract liabilities are not revalued at each period end, they are still subject to cash security requirements in the same way as the remaining gas price swaps.

Current financial liabilities of £93.9 million (2020: £53.6 million) and non-current financial liabilities of £37.8 million (2020: £48.8 million) comprise remaining deferred consideration projected to be paid under the BKR acquisition agreements.

The current financial liability comprises the final two net cash flow sharing payments due, those for November and December 2021 totalling £63.3 million, a fixed payment of £16.0 million arising from the successful outcome of the Rhum R3 well operations and a further £14.6 million of contingent consideration in respect of Rhum field performance during 2021 and over the previous two years.

The non-current liability comprises deferred consideration in respect of BKR decommissioning and oil linefill. Under arrangements for those BKR field interests acquired from BP, Total E&P and BHP, decommissioning liabilities were retained by the vendors with Serica liable to pay deferred consideration equivalent to 30% of the actual costs of decommissioning net of tax recovered by them.

Non-current provisions relate to future decommissioning obligations. These showed an increase from £22.8 million in 2020 to £28.1 million in 2021, due to the addition of Serica's share of Columbus decommissioning now that the development has been completed. The balance of provisions is in respect of the Bruce and Keith interests acquired from Marubeni.

The deferred tax liability of £120.6 million at 31 December 2021 increased from £80.6 million at year end 2020 and reflects accounting provisions expected to be released in future periods once the Group's tax losses have been fully utilised.

Overall, net assets have increased from £199.8 million at year end 2020 to £272.5 million at 31 December 2021 after payment of £9.4 million in dividends (2020: £8.0 million).

The increase in share capital from £181.6 million to £182.0 million arose from shares issued following the exercise of share options and shares issued under employee share schemes, whilst the increase in other reserves from £19.7 million to £22.1 million arose from share-based payments related to share option awards.

Cash Balances and Future Commitments

Current cash position and price hedging

At 31 December 2021 the Group held cash and cash equivalents of £103.0 million (2020: £89.3 million) excluding £115.4 million of cash lodged as security with gas price hedge counterparties (2020: £1.8 million). This is after capital investments during the year of £52.1 million (2020: £26.6 million) and dividend payments of £9.4 million (2020: £8.0 million) plus monthly net cash flow sharing payments and other BKR consideration totalling £81.3 million (2020: £21.8 million) and a final settlement of Erskine contingent consideration of £1.0 million (2020: nil). Of total cash and cash equivalents, £12.9 million was held in a restricted account against letters of credit issued in respect of certain decommissioning liabilities as at 31 December 2021 (2020: £6.4 million).

At 31 December 2021 Serica held gas price swaps and equivalent fixed price mechanisms for periods to Q3 2023. For 2022, it held an average 350,000 therms per day for H1 and 275,000 therms per day for H2 at average prices of 48 pence per therm and 44 pence per therm respectively. For 2023, it held an average 150,000 therms per day for H1 and 50,000 therms per day for Q3 at average prices of 49 pence per therm and 41 pence per therm respectively. At 31 December 2021 cash hedging security advances of £115.4 million had been lodged with hedge counterparties as security against settlement of future hedge instruments (31 December 2020: £1.8 million).

Cash security against swap and equivalent fixed price mechanisms for Serica's gas price hedging has continued to fluctuate with the very volatile forward market. At the same time the volume of remaining hedges is declining steadily as each month's contracts are settled. A hedge limit of 25% of projected gas production volumes has been applied and the proportion of production actually hedged declines from July 2022 onwards, expiring completely by the end of Q3 2023.

No additional hedges have been put in place since early July 2021. Serica continues to consider future gas hedging possibilities but simple floor price hedging ("put options") has remained at an uncompetitive level for most of the last two years and the current structuring of swap-type instruments does not appear practical in light of the recent extreme price volatility. This approach is appropriate in view of Serica's lack of borrowings.

The Company's oil and liquids production remains unhedged.

Cash projections are run periodically to examine the potential impact of extended low oil and gas prices as well as possible production interruptions. Some 85% of Serica's production is gas with exposure to price falls partially mitigated by price hedging extending up to Q3 2023. Serica currently has substantial cash resources, no borrowings and relatively low operating costs per boe which means that the Company is well placed to withstand such risks and its capital commitments can be funded from existing cash resources.

Field and other capital commitments

There are no existing capital commitments on the Erskine producing field and net production revenues are expected to cover all ongoing field expenditures. Serica's share of decommissioning costs relating to its 18% Erskine field interest will be met by BP up to a level of £31.3 million, adjusted for inflation, and Serica's current estimate of such costs is below this level.

On the BKR producing fields plans are in hand to conduct well work during 2022 at an estimated cost of £15 million designed to enhance current production profiles and extend field life. Net revenues from Serica's share of income from the BKR fields is expected to cover Serica's share of ongoing field expenditures including deferred consideration due under the respective BKR acquisition agreements as set out below. Serica's share of decommissioning costs relating to its interests in the existing BKR field facilities will be met by the vendors apart from those field shares acquired from Marubeni (Bruce 3.75%, Keith 8.33%) for which Serica is directly responsible.

The Columbus development was completed during summer 2021 with first gas delivered in late November 2021. Serica's share of production revenue is expected to cover Serica's share of ongoing field expenditures. Decommissioning obligations are limited as the development comprises a single well linked via a subsea completion to an existing pipeline.

The Group's only significant exploration commitment is the drilling of a well on the North Eigg prospect to be drilled in Q3 2022 at an estimated cost of £45 million.

BKR asset acquisitions

On 30 November 2018 Serica completed the four BKR acquisitions. The following elements of consideration were outstanding at 31 December 2021:

- A contingent payment of £16.0 million due to BP Exploration Operating Company ("BPEOC") in early 2022 following the bringing of the Rhum R3 well onto production and achievement of a minimum cumulative 90 days of gas production at a defined level. This has been included within current financial liabilities at 31 December 2021.
- A contingent payment of £7.7 million is due to BPEOC in early 2022 based upon Rhum 2021 average field production and commodity sales prices in the year. The payment for 2019 was £2.6 million and the payment for 2020 was £1.0 million. A final calculation of the combined average performance covering years 2019 to 2021 and applied to the total potential consideration for the three years has been calculated at an additional £6.8 million. This has been included within current financial liabilities at 31 December 2021.
- Final net cash flow sharing payments of £63.3 million were settled in Q1 2022 representing amounts due to BPEOC, Total E&P and BHP from the net cash flow sharing arrangements in the final quarter of 2021. 40% of 2021 net cash flows resulting from the respective field interests acquired from those companies was payable as cash consideration. These settlements have been included with current financial liabilities at 31 December 2021.
- BP, Total E&P and BHP will retain liability, in respect of the field interests Serica acquired from each of them, for all the costs of decommissioning those facilities that existed at the date of completion. Serica will pay deferred consideration equal to 30% of actual future decommissioning costs, reduced by the tax relief that each of BP, Total E&P and BHP receives on such costs. Staged prepayments against such projected amounts will commence in 2022 and be spread over the remaining years before cessation of field production. This has been included within non-current financial liabilities at 31 December 2021.

- Serica will pay to each of BP, Total E&P and BHP, deferred consideration equal to 90% of their respective shares of the realised value of oil in the Bruce pipeline at the end of field life. This has been included within non-current financial liabilities at 31 December 2021.

Other

Asset values and impairment

At 31 December 2021, Serica's market capitalisation stood at £648.0 million based upon a share price of 241.0 pence which exceeded the net asset value of £272.5 million. A review was performed for any indication that the value of the Group's oil and gas assets may be impaired at the balance sheet date of 31 December 2021 and no impairment triggers were noted. By 19 April the Company's market capitalisation has risen to £1,114.5 million.

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 Group is exposed and monitors any agreed mitigating actions. The overall strategy for the protection of shareholder value against these risks is to carry a broad portfolio of assets with varied risk/reward profiles, to apply prudent industry practice, to carry insurance where both available and cost effective, and to retain adequate working capital.

Serica has built a strong working capital reserve which is available to respond to a range of risks including production interruptions, severe commodity price falls and unexpected costs. To supplement this the Company carries business interruption insurance to mitigate the impact of deferred or lost revenues over sustained periods of production shut-in beyond an initial 60 days, where caused by events covered under such policies. The Company also uses price hedging instruments to help manage field revenues and will continue to seek cost effective opportunities to add to its existing hedge position. These currently cover a maximum 25% of the Company's share of projected 2022 gas production.

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

Investment Returns: Management seeks to invest in a portfolio of exploration, development and producing acreage capable of delivering returns to shareholders through acquisitions of producing assets to which it can add further value and through the discovery and exploitation of commercial reserves. Delivery of this business model carries a number of key risks.

Risk	Mitigation
Stock market support may be eroded lowering investor appetite and obstructing fundraising	• Management regularly communicates its strategy to shareholders • Focus is placed on building a diverse and resilient asset portfolio capable of offering prospectivity throughout the business cycle
Each investment carries its own risk profile and no outcome can be certain	• Management aims to avoid over-exposure to individual assets, to identify the associated risks objectively and mitigate where practical

Operations: Operations may not go according to plan leading to damage, pollution, cost overruns or poor outcomes.

Risk	Mitigation
Production may be interrupted generating significant revenue loss whilst costs continue to be incurred	• The Company seeks to diversify its revenue streams • Management determines and retains an appropriate level of working capital • The Group carries business interruption cover
Third party offtake routes may experience restrictions or interruptions and full availability may depend upon sustained production from other fields in the system	• The Group aims to diversify its exposure to offtake routes where possible though all of its oil production currently uses the FPS system • The Group carries business interruption cover
Capital programmes may be delayed and costs may overrun	• Planned programmes incorporate the potential impact of normal delays and overruns • The Group retains working capital reserves to cover these
The Company is reliant upon its IT systems to maintain operations and communications	• The Group employs specialist support • Protection against external intrusion is incorporated within the system and tested regularly

Personnel: The Group relies upon a pool of experienced and motivated personnel to conduct its operations and execute successful investment strategies

Risk	Mitigation
Key personnel may be lost to other companies	• The Remuneration Committee regularly evaluates incentivisation schemes to ensure they remain competitive • The Group 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

Political and commercial environment: World share and commodity markets and political environments continue to be volatile

Risk	Mitigation
Sanctions imposed by the U.S. government may threaten continuing production from the Rhum field and licences are required to be renewed periodically, with the current licence to be renewed in January 2023	• An OFAC License has been obtained which has enabled continuing production from Rhum • Serica initiates the renewal process well in advance of specified dates
The UKCS licensing regime under which Serica's operational rights and obligations are defined may be subject to future change	• Management maintains regular communication with regulatory authorities • The Company aligns its standards and objectives with government policies as closely as possible
Volatile commodity prices mean that the Group cannot be certain of the future sales value of its products	• Planning and forecasting considers downside price scenarios • Oil and gas floor price hedging is utilised where deemed cost effective • Price mitigation strategies are employed at the point of major capital commitment

Climate change and environmental protection: The UK government has set a range of emissions reduction objectives

Risk	Mitigation
The transition away from carbon-based energy sources may restrict the future demand for, or production of, the Group's oil and gas reserves	• The estimated value of future reserves is progressively discounted for later periods of production • The Group's reserves are weighted towards gas which is playing a key role in the national energy transition
Energy transition objectives may bring additional costs, levies or taxes	• Estimates of climate-related charges are included in cost estimates where reasonably identifiable • Management prioritises the delivery of ESG objectives which may reduce such impacts
More extreme weather patterns may threaten or disrupt operations	• The Company seeks to maintain robust transport and supply chains • The impact of extreme climatic conditions such as exceptional waves are incorporated in risk management scenarios
Sources of finance including equity markets and debt providers may be harder to access or become more expensive	• Management engages with potential sources to anticipate their ESG compliance requirements • The Company also seeks to retain a range of alternative financing options • Potential funding cost increases are considered when planning investments
The range of potential acquisitions may be restricted by ESG considerations	• Management considers the emissions profiles of potential acquisition targets and the mitigating actions that it can implement • It prioritises opportunities to deliver low carbon intensity production into the UK market

COVID-19: The impact of the virus has significantly affected the majority of global activities and markets. The full extent and duration of the crisis remains uncertain

Risk	Mitigation
The Company's personnel may be at risk from catching the virus	• The Company has instituted recommended safe practices and will maintain these as necessary • Serica demonstrates a flexible approach to working from home whilst supporting appropriate working practices in its London and Aberdeen offices
The spread of infection and associated counter measures may interrupt offshore operations	• The Company has reduced the number of staff working offshore to a safe minimum • Management encourages safe practices travelling to and from the platform and mandates additional precautions whilst offshore
The continued operation of Serica's fields may be adversely affected by interruptions to operations of fields and infrastructure downstream	• Serica carries a working capital reserve to cover such eventualities • Serica works with the regulatory bodies and infrastructure owners to identify and mitigate any such risks

Task Force for Climate-related Financial Disclosures ("TCFD")

Details of ESG strategies directed towards reducing carbon emissions and contributing to government Net Zero targets are described on pages 10 and 11 and also in a separate ESG Report which will be issued in conjunction with publication of the 2021 Annual Report.

The TCFD has developed a framework to formalise and implement the reporting of financial disclosures related to climate change. This is gradually being adopted though the TCFD recognises that full implementation will take some time for smaller businesses. Serica has reviewed guidance issued by the TCFD with regard to the identification, management and reporting of climate-related financial risks and the Company is developing its capabilities to analyse and report climate-related risks in accordance with TCFD guidance.

Governance

- The Board is ultimately responsible for the governance of climate-related risks and opportunities. It sets policies and then reviews these as appropriate.
- The Board recognises climate change as a material risk to Serica with potential financial implications and understands that responding to the risks associated with climate change and building resilience is integral to the long-term success of the organisation.
- It reviews major risks regularly, receives updates from its subcommittees and also takes direct reports from key personnel. It sets general policy related to climate risks and opportunities, identifies where further actions are required and delegates authorities accordingly. This includes progress on emissions reduction, general environmental performance, developments in climate-related regulation and cost impacts.
- The Health, Safety and Environment Committee reports to the Board on the effectiveness of the Company's HSE and ESG programs and ensures that risks, including environmental or carbon-related hazards are fully assessed and appropriately mitigated. In addition, this sub-committee ensures that all personnel, including contractors employed by the Company, are fully aware of their HSE and ESG responsibilities and have been properly trained.
- The Audit Committee supervises the financial analysis of climate-related risks and opportunities and its incorporation into economic and investment models.
- The Remuneration Committee determines employee compensation packages and bonus structures which incorporate incentives to deliver climate-related objectives.

Strategy

The Company's focus is on acquiring or developing oil and gas assets focussed within the UKCS, extending the producing lives of mid-to-late life assets and developing additional reserves where this can be done with a low carbon footprint, typically by utilising existing processing and export facilities.

Serica aligns with the UK government's commitment to achieving Net Zero emissions by 2050 and takes into account the emissions reduction targets when making strategic decisions. Serica uses the risk categories recommended by the TCFD to further its reflection of climate-related risk and opportunities: Transition risks, including policy, legal, technology, market changes, and Physical risks resulting from event driven (acute) or longer-term (chronic) shifts in climate patterns.

Serica also recognises the opportunities presented to its organisation that are associated with climate change and the transition to a low carbon economy. These include divestments by larger companies, investment in energy efficient technology and collaboration between asset and infrastructure owners. Domestically-produced gas has a strategic role to play in the UK's energy transition. This offers a lower carbon alternative to more carbon-intensive fuels and to LNG imports and also assists in protecting the UK's security of energy supply as global energy sourcing is restructured. Serica is well-placed to apply its proven capabilities to extending the production lives of such assets whilst driving carbon-reduction programmes.

Serica has developed operational objectives which are aligned with climate-related risk reduction and climate change resilience planning. These include:

- Creation of emissions related key performance indicators (KPIs) and targets that directly affect employee bonus payments;
- Continued development and enhancement of a robust ESG strategy with a corresponding communication structure to internal and external stakeholders;
- A dedicated VP ESG and Business Innovation to lead strategy development, drive change and support continuous improvement in emissions performance and wider ESG commitments;
- Alignment to recognised international ESG benchmarks and transparency initiatives such as the Global Reporting Initiative ("GRI") and Sustainability Accounting standards Board ("SASB") in addition to developing a response to the TCFD recommendations.

Climate Risk Management

- The Senior Management Team is structured and empowered to ensure that the Board has the necessary climate related information to assess the associated risks and opportunities. The team is responsible for compliance with and reporting against the organisational climate related metrics and targets in their individual business areas. The team evaluates climate-related risks and opportunities as an integral part of its business activities developing risk management systems, standards and procedures as required to achieve this.
- Serica's Risk Management Policy underlines the identification, assessment and mitigation of climate-related risks. Climate-related risks and opportunities are identified under the Company's Risk Management Policy. As its existing assets are all currently projected to cease production within the next ten years, this is the key period of focus for the Company. Serica has primarily targeted its considerations of climate-related risks and opportunities over the short and medium terms.
- Serica uses an operating risk management framework and risk assessment matrix to capture, rank and manage significant risks.
- Having assessed climate-related risks the Company either identifies specific mitigating actions and programmes or, where such specific responses are not considered feasible, builds likely financial impacts into valuations and planning.
- Where investigating new investment opportunities and acquisitions, reviews are conducted of all climate-related risks and potential mitigations.
- As Serica's climate-related risk identification and management programme progresses, regular updates are provided to the Board and where appropriate added into the Group's risk register which is then reviewed monthly.

Metrics and Targets

Carbon emissions data is collected from Serica's assets, including operated and partnered facilities. Serica assures this data for consistency and comparability throughout its portfolio over time. This data is used to ensure compliance with UKCS emissions regulation and to comply with all operating permits and consents associated with Serica's assets. It also provides benchmarks for delivering emissions reductions through the adoption of meaningful and achievable carbon reduction targets. Details on progress will be provided in the ESG Report to be published in conjunction with the Annual Report.

The TCFD has proposed that business resilience to climate risks should be assessed through scenario analysis. Scenarios start with the end goal, i.e. limiting global temperature rise to 1.5°C, and then model the steps that society, industry, governments etc must take in order to achieve it. The scenarios describe the impact on factors such as supply, demand, regulations, taxes and commodity pricing. Serica has taken a pragmatic approach to modelling and looks at the comparative changes to commodity prices under different scenarios, i.e., modelling a high and a low-price case, rather than taking the absolute values suggested in the scenarios. Serica has decided to base its analysis on two scenarios developed by the International Energy Agency's (IEA) World Outlook:

1. **Net Zero** – accelerated emissions reduction to achieve Net Zero emissions in the energy industry by 2050
2. **Stated Policies** – slower progress based upon existing governmental policies

This approach is applied to investment planning including exploration and conceptual developments, running economics by varying parameters depending on either a Net Zero scenario or a Stated Policies scenario. Examples of such parameters are carbon pricing, capital costs and commodity prices. These are also applied to general corporate modelling.

Key Performance Indicators ("KPIs")

The Company's main business is the acquisition, development and production of commercially attractive oil and gas reserves in a safe and environmentally sensitive manner. This is achieved both through pursuing the full cycle of exploration, discovery, development and production and also through acquiring existing reserves where management believe that further value can be added.

Operational and financial performance is tracked through the following KPI's whose progress is covered within the Review of Operations and Finance Review within this strategic report:

- Daily production volumes
- Production costs per barrel of oil equivalent
- Realised sales income per barrel of oil equivalent

HSE performance is tracked through the following KPI's whose progress is covered within an updated ESG Report to be issued along with the 2021 Annual Report:

- Recordable incidents and injuries
- Workforce engagement in HSE
- Quality of discharges to water and air

ESG performance is tracked through the following KPI's whose progress is covered within the ESG Report to be issued along with the 2021 Annual Report:

- Carbon intensity
- Flare volumes
- Workforce engagement in ESG
- Waste volumes generated
- Diversity of personnel

Elements falling within each of the above categories are included within annual incentive schemes for all Group employees.

The Company tracks its new business development objectives through the building of a risk-balanced portfolio of full cycle assets. Specific KPI's are not applied due to the range of different potential acquisition targets. However, successful delivery will add to future production volumes and net realised income.

Further information upon the Company's HSE and ESG policies and delivery can be found within the ESG Report which will be issued along with the 2021 Annual Report.

Section 172 statement

The Directors' statement under Section 172 of the Companies Act 2006 is included on pages 44 and 45.

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

Mitch Flegg
Chief Executive Officer

20 April 2022

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.

BOARD OF DIRECTORS

Antony Craven Walker

Executive Chairman / Appointed: 2004

Antony Craven Walker, Executive Chairman, started his career with BP as a petroleum engineer in 1966 and has been a leading figure in the British independent oil industry since the early 1970s. Mr Craven Walker 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. Both companies were acquired by larger groups in 1986 and 1999 respectively. Mr Craven Walker was also a founder member of BRINDEX (Association of British Independent Oil Exploration Companies). Mr Craven Walker was appointed Non-Executive Chairman of Serica in 2004 and, following the retirement of the then Chief Executive in April 2011, initially acted as interim Chief Executive. With effect from 1 June 2015, he took the role of Executive Chairman. Under his direction the Company embarked upon its strategy to refocus on the North Sea and build a strong production base. Mr Craven Walker's experience in the oil and gas and public market sectors gives him the skills necessary to provide the services of Executive Chairman as the Company continues to develop its business strategy.

COMMITTEES Nomination & Corporate Governance Committee

Mitch Flegg

Chief Executive Officer / Appointed: 2017

Mitch Flegg, Chief Executive Officer, has over 35 years of experience in the upstream oil and gas industry, including positions at Shell and Enterprise Oil. Mr Flegg first joined the Company in 2006 and was 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 in September 2012. Mr Flegg left the Company in May 2015 to become CEO of Circle Oil Plc. Mr Flegg re-joined the Board on 21 November 2017 as Chief Executive Officer on the announcement of the BKR transaction. Mr Flegg's background and experience ensures that the Company is effectively led to achieve the Company's long-term strategic goals and becomes a leading producer and operator.

COMMITTEES Reserves Committee, Health Safety & Environmental Committee

Andrew Bell

Chief Financial Officer / Appointed: 2021

Andrew Bell, Chief Financial Officer, joined the Board on 4 September 2021. Mr Bell had provided consultancy to Serica since 2004 on the Company's original AIM listing, the implementation of all finance systems and also on supporting acquisitions, disposals and associated financing structures. Mr Bell worked on the BKR transactions and was appointed VP Finance upon signature in 2017. Mr Bell has approaching 40 years' experience of all aspects of upstream finance for public companies listed in London and Toronto and for private-backed companies. These include Charterhouse Petroleum plc, Monument Oil and Gas plc, Consort Resources Ltd and Centric Energy Corp.

Kate Coppinger

Non-Executive Director / Appointed: 2020

Kate Coppinger, Non-Executive Director, joined the Board on 22 April 2020. Ms. Coppinger has over 20 years' investment banking, Ms Coppinger's career includes roles at Canadian Imperial Bank of Commerce, Harrison Lovegrove and most recently as Managing Director at Standard Chartered in the Oil and Gas team responsible for origination and execution of transactions for European clients. Her global M&A transaction experience spans Asia through to South America with particular emphasis on the North Sea. Ms Coppinger chairs the Company's Audit Committee.

COMMITTEES Audit Committee (Chair) and Remuneration Committee

Trevor Garlick

Non-Executive Director / Appointed: 2018

Trevor William Garlick, Non-Executive Director, joined the Board on 30 November 2018, on completion of the BKR transaction. Mr Garlick spent most of his career in BP where he worked for 30 years, latterly as Regional President of UK / Norway from 2010 until retirement in 2016. Mr Garlick is a director of Energy Transition Zone (ETZ) Limited. Mr Garlick chairs the Company's Health, Safety and Environmental Committee and the Reserves Committee.

COMMITTEES Health Safety & Environmental Committee (Chair), Reserves Committee (Chair), Audit Committee and Nomination & Corporate Governance Committee

David Latin

Non-Executive Director / Appointed: 2021

David Latin, Non-Executive Director, joined the Board on 7 December 2021. Mr Latin has over 30 years' experience in Upstream Exploration and Production and Investment/Advisory sector. He worked for BP from 1993 to 2011, holding a number of VP and global/regional business roles. He was then OMV Group Senior Vice President for E&P in NW Europe, Africa and Australasia from 2011 to 2017. In 2017 he co-founded First Alpha Energy Capital, investing in Upstream E&P and Energy Services, Technology and Equipment sectors and in 2021 he co-founded Talaria Technology, providing smart sensors focused on assisting offshore wind energy and carbon storage.

COMMITTEES Health Safety & Environmental Committee, Remuneration Committee and Reserves Committee

Richard Rose

Non-Executive Director / Appointed: 2021

Richard Rose, Non-Executive Director, joined the Board on 28 September 2021. Mr Rose is a qualified accountant with over 25 years' experience in the oil and gas industry working within audit and corporate finance within the E&P sector. Mr Rose's career includes roles at Ernst & Young LLP, Oriel Securities, RBC Capital Markets, Ophir Energy and most recently as Finance Director and Interim Chief Executive Officer of Premier Oil. He has extensive knowledge of debt and equity markets and refinancing.

COMMITTEES Audit Committee

Ian Vann

Non-Executive Director / Appointed: 2007

Ian Vann, Non-Executive Director, joined the Board in 2007. Mr Vann was employed by BP from 1976 and directed and led BP's global exploration efforts from 1996 until his retirement in January 2007. Mr Vann 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. Mr Vann's industry background provides the Board with the necessary expertise to review and challenge decisions and opportunities presented both within the formal arena of the boardroom and as called upon when needed by the executives. Mr Vann chairs the Company's Remuneration Committee.

COMMITTEES Remuneration Committee (Chair), Health Safety & Environmental Committee, Audit Committee and Reserves Committee

Malcolm Webb

Non-Executive Director / Appointed: 2018

Malcolm Webb, Non-Executive Director, joined the Board on 30 November 2018, on completion of the BKR transaction. Mr Webb started his career with Burmah Oil Company in 1974 as a company legal adviser. Between 1986 and 1999, Mr Webb worked in the Petrofina SA Group in various senior management roles. In 2001, Mr Webb was appointed Director General of the UK Petroleum Industry Association and in 2004 he joined Oil & Gas UK as Chief Executive, from which post he retired in 2015. Mr Webb's industry background, together with his corporate and legal experience provides the Board with the expertise to review and challenge decisions and opportunities presented. Mr Webb chairs the Company's Nomination and Corporate Governance Committee.

COMMITTEES Nomination & Corporate Governance Committee (Chair) and Remuneration Committee

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 2021.

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.

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 Chief Executive Officer's Report, 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).

Engagement with Employees, Suppliers and Customers

Information regarding Serica's engagement with employees, suppliers and customers is included in the Directors' statement under Section 172 of the Companies Act 2006 on pages 44 and 45.

Results and Dividends

The profit for the year was £79,294,000 (2020: £7,779,000).

The Directors are recommending the payment of a final dividend by the Company of 9 pence per share for the year to 31 December 2021, see note 13 (2020: 3.5 pence per share). Subject to shareholder approval at the AGM, this will be payable on 22 July 2022 to shareholders registered on 1 July 2022 with an ex-dividend date of 30 June 2022.

Financial Instruments

The Group's financial risk management objectives and policies are discussed in note 24.

Events Since Balance Sheet Date

There are no post balance sheet events to disclose in the financial statements.

Directors and their Interests

The following Directors have held office in the Company since 1 January 2021 to the date of this report:

Antony Craven Walker
Neil Pike (retired 24 June 2021)
Ian Vann
Mitch Flegg
Trevor Garlick
Malcolm Webb
Kate Coppinger
Andrew Bell (appointed 3 September 2021)
Richard Rose (appointed 28 September 2021)
David Latin (appointed 7 December 2021)

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 (or date of appointment if later)
Antony Craven Walker[1]	Ordinary	7,357,694	7,357,694
Mitch Flegg	Ordinary	184,445	184,445
Andrew Bell	Ordinary	18,709	18,709
Kate Coppinger	Ordinary	–	–
Trevor Garlick	Ordinary	–	–
David Latin	Ordinary	–	–
Richard Rose	Ordinary	–	–
Ian Vann	Ordinary	267,935	267,935
Malcolm Webb	Ordinary	64,506	44,681

1. 6,448,810 ordinary shares were held by Antony Craven Walker and 908,884 by Rathbones (pension funds).

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.

Details of share awards that have been granted to certain Directors under the Serica Energy plc Share Option Plan 2005 ("Serica 2005 Option Plan") are included in note 27 to the Financial Statements. Details of share awards made during 2021 and up to 19 April 2022 under the Serica Energy plc Long Term Incentive Plan (the "LTIP") are also included in note 27.

Greenhouse Gas Emissions ("GHG")

Information regarding Serica's GHG disclosure is included in the Environmental, Social and Governance (ESG) section on pages 10 and 11.

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 they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Board

Mitch Flegg
Director

20 April 2022

Chairman's Corporate Governance Statement:

The corporate governance section of our report explains how the Company's governance framework supports the principles of integrity, strong ethical values and professionalism integral to our business. As Executive Chairman of the Company, it is my responsibility to work with my fellow Board members to ensure that the Company embraces corporate governance and delivers the highest standards we can. It is within my role to manage the Board in the best interests of our many stakeholders. As we said last year, as a Board we believe that practicing good corporate governance is essential for building a successful and sustainable business. Good governance depends on strong and effective leadership and a healthy corporate culture, supported by robust systems and processes and a good understanding of risk. The Board has a comprehensive corporate governance framework, with clearly defined responsibilities and accountabilities to safeguard long-term shareholder value. This report, together with the reports of the Audit, Nomination & Corporate Governance, Remuneration and Health, Safety & Environmental Committees, seeks to demonstrate our commitment to high standards of governance.

The Company adopts the Quoted Companies Alliance Corporate Governance Code 2018 (the 'QCA Code') which it believes to be the most appropriate recognised corporate governance code for the Company. The QCA has ten principles which the Company is required to adhere to and to make certain disclosures both within this report and on its website. The Company's website disclosures can be found at www.serica-energy.com.

Like 2020, 2021 continued to be a particularly challenging year, with the COVID-19 pandemic having an impact on economies and businesses across the globe. The importance of a united Board working to ensure that the Company continues to deliver for its shareholders whilst maintaining high standards of employee welfare, safety, corporate governance and commitment to environmental issues is imperative to the continuing success of the business. During 2021 Neil Pike, non-executive director, stepped down from his position, following which Richard Rose and David Latin were appointed to the Board. The Board thanks Mr Pike for his contribution to the business over many years and welcomes Mr Rose and Mr Latin to the business.

The importance of maintaining strong relationships and engaging with our shareholders continues and underpins the success of the business. The Board strives to ensure that there are numerous opportunities for investors to engage with both the Board and Executive Directors. Due to COVID-19 the Company's 2020 and 2021 Annual General Meeting were held as closed meetings and shareholders were encouraged to ask questions via the online Q&A session following the meeting. The Board looks forward to welcoming shareholders in person at the 2022 Annual General Meeting. The Executive Directors were available to meet with shareholders and analysts on-line following the Company's interim and final results. In 2021, a face to face investor meeting was held.

The QCA Code has ten principles of corporate governance that the Company has committed to apply within the foundations of the business. These principles are:

Principles	Serica Response
Establish a strategy and business model which promote long-term value for shareholders	The Company operates in a sector that is exposed to political, operational, commercial, product pricing and hazard risks. Its strategy is to manage risks, financial capacity and growth opportunities through an active programme of acquisition and divestment to balance risk and potential whilst optimising operating costs and procedures to improve performance and identifying new technologies that can enhance value. The Company seeks a forward looking, professional and safety conscious culture in all that it does to provide an environment for the benefit of all stakeholders.
Seek to understand and meet shareholder needs and expectations	The Company engages with shareholders at the Annual General Meeting and after the announcements of interim and final results. It also regularly presents at investor events. During 2021, the Company engaged as best as possible with stakeholders through online forums, and was also able to hold a face to face investor event.
Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Company seeks to be a responsible corporate citizen in all its areas of operation and is committed to maintaining a high standard of corporate governance. The Company publishes an Environmental, Social and Governance Report. There are also further details on pages 10 and 11 of this report.
Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Company has an effective risk management framework, which is subject to oversight by the Audit Committee and the Board. See further details on page 38.
Maintain the Board as a well-functioning balanced team led by the Chair	Refer to further discussion of the Board structure and composition on page 34.
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	The complementary skills and experience of our Board and Executive Management team are included on pages 28 and 29.
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Refer to discussion of Board evaluation on page 35.
Promote a corporate culture that is based on ethical values and behaviours	The Company has a zero-tolerance approach to bribery and corruption and has an Anti-Bribery Policy in place to protect the Company, its employees and those third parties with which the business engages. Employees have each partaken in Anti-Bribery training and assessment.
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Refer to further discussion of the Company's governance structures, including matters reserved for the Board, on pages 35 and 36.
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Company's financial and operational performance is summarised in the Annual Report and the Interim Report, with regular updates provided to stakeholders in other forums through the year, including press releases and regular updates to the Company's website.

Governance Structure

The Board of Directors acknowledge the importance of corporate governance, believing that the QCA Code provides the Company with the right framework to maintain a strong level of governance.

The Board retains ultimate accountability for good governance and maintains 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.

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 Board has six independent Non-Executive Directors to bring an independent view to the Board one of whom (Ian Vann) acts as Senior Independent Director. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities and is also responsible for facilitating full and constructive contributions from each member of the Board in determination of the Group's strategy and overall commercial objectives. In the event of an equality of votes at a meeting of the Board, the Chairman has a second or casting vote.

The Company is committed to a corporate culture that embraces equal opportunity, diversity, social responsibility, safety and commitment to the environment and is based on sound ethical values and behaviours and it seeks to instil these values across the organisation as a whole. The Company promotes its commitment through its public statements on its website, in its report and accounts and internally through its communications to its employees and other stakeholders.

The Company has adopted a code of dealings in securities which the Board regards as appropriate for an AIM listed company and is compliant with the UK Market Abuse Regulations. The Company takes all reasonable steps to ensure compliance by the Directors, employees and agents with the provisions of the AIM rules relating to dealings in securities.

The Directors acknowledge the importance of ensuring that the Company, its employees and those third parties with which the business engages are operating within the requirements of the Bribery Act. The Company has a zero-tolerance approach to bribery and corruption and has adopted an anti-bribery policy to protect the Group, its employees and those third parties with which the Company engages. An online training session is adopted by the Company to ensure that all employees and the Board are compliant with the anti-bribery policy.

Board Composition

As at 31 December 2021, the Board of the Company consisted of the Executive Chairman, the Chief Executive Officer, Chief Financial Officer and six independent Non-Executive Directors. Ian Vann, as the senior independent Non-Executive director, along with the other Non-Executive Directors ensure the Board independence required given the Company has an Executive Chairman. All the Non-Executive Directors are independent in character and judgement, the appointments of Richard Rose and David Latin in 2021 provides the Board with a wider 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.

Board Committees and Structure

The Board has five Committees as follows: Nomination & Corporate Governance Committee, Audit Committee, Reserves Committee, Health, Safety and Environmental Committee and Remuneration Committee. All Committees operate under clearly defined terms of reference to ensure proper functioning and effective application of best practice. The Committee terms of reference are reviewed by the Committees and by the Board on an annual basis. Committees are required to report back to the Board following a Committee meeting.

More detailed information of each Committees can be found on pages 37 to 40.

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The effectiveness of the Board, director and senior management appointments and the Company's succession planning is evaluated on a regular basis.

BOARD EVALUATION/REVIEW OF THE BOARD'S EFFECTIVENESS

The Board considers that its effectiveness and the individual performance of its directors is vital to the success of the Company.

It was recognised that, with the expansion of the Board in parallel with the expansion of the Company's activities and the need to meet the requirements of the QCA Code, a formal evaluation process for each of the Board, its Committees and the Non- Executive Directors should be conducted. In 2020, performance evaluations of the Board and of each of its Committees were undertaken. It was intended to conduct the evaluation process for the Non-Executive Directors in 2021 but changes in Board composition coupled with Covid-19 complications resulted in this being postponed to early 2022, when the Chairman duly conducted a performance evaluation with each of the Non-Executive directors, the results of which were entirely satisfactory. The next regular evaluation of the Board and its Committees will be performed in 2023.

During 2021, the Non-Executive directors met amongst other things agreed that Board meetings should place more focus on asset performance, that the agendas for Board meetings should not always follow a standard form and that they should have more interface with senior VP's.

There is a strong flow of communication between the Directors, and in particular between the Chief Executive Officer, Chief Financial Officer and the Chairman, with consideration being given to the strategic and operational needs of the business. Comprehensive board and committee papers are circulated in advance of meetings, giving Directors due time to review the documentation and enabling an effective meeting. Minutes are drawn up to reflect the true record of the discussions and decisions made. Resulting actions are tracked for appropriate delivery and follow up.

The Directors have a wide knowledge of the Company's business and understand their duties as directors of a company quoted on AIM. The Directors have access to the Company's Nominated Adviser (Nomad), auditors and solicitors as and when required. The Company's Nomad provides annual board room training. These advisors are available to provide formal support and advice to the Board from time to time and do so in accordance with good practice.

The Company Secretary helps keep the Board up to date with developments in corporate governance and liaises with the Nomad on areas of AIM requirements. The Company Secretary has frequent communication with the Chairman, Chief Executive Officer, Chief Financial Officer and chairs of the Committees and is available to other members of the Board as required. The Directors are also able, at the Company's expense, to obtain advice from external advisers if required.

The Board is mindful of the need for succession and diversity planning when making Board changes and is actively putting this in place with two new appointments made in 2021.The Nomination & Corporate Governance Committee regularly monitors the requirements for succession planning and Board appointments to ensure that the Board is fit for purpose and keeps pace with the evolution of the Company. If assistance with recruitment is required by the Committee, this will be made available.

The Nomination & Corporate Governance Committee is mindful of the Board's performance and composition together with the performance of individual Directors and senior management.

Matters Reserved for the Board

The Board retains full and effective control over the Company and is responsible for the Company's strategy and key financial and compliance issues. There are certain matters that are reserved for the Board and they include but are not limited to:

Strategy and Management

Approval of: long-term objectives; commercial strategic aims; annual operating and capital expenditure budgets; extending the Company's activities into new business; any decision to cease to operate all or any material part of the Company's business.

Structure and Capital

Capital structure; major changes to the Company's corporate structure; changes to the management and control structure; change to the Company's listing; alteration of the Company's articles of association; change in the Company's accounting reference date, registered name or business name.

Financial Reporting and Controls

Approval of: finance reports; interim management statements and any other preliminary announcement of the final results; annual reports and accounts; dividend policy and declaration of any dividend and significant changes in accounting policies/practice.

Internal Controls

Ensuring maintenance of a sound system of internal control and risk management including regular risk review.

Finance

Raising new capital and confirmation of major financing facilities; recommendation of dividends; operating and capital expenditure budgets; granting of security over any material Company asset; financial stress testing.

Contracts

All contracts above £3m; major capital contracts over £3m; contracts which are material or strategic; contracts outside of the approved budget and not in the ordinary course of business; major investments or any acquisitions/disposals and transactions with Directors or other related parties which are not in the ordinary course of business.

Communications

Approval of resolutions and documentation put forward to shareholders; approval of circulars, prospectuses and listing particulars and approval of press releases concerning matters decided by the Board.

Board membership and other appointments

Director and senior management appointments and the Company's succession planning is evaluated on a regular basis commensurate with good corporate governance practice on diversity, experience and skills and the evolving needs of the Company.

Remuneration

Determining the remuneration policy for the Executive Directors, senior executives and all staff and the remuneration of the Non-Executive Directors. Introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.

Delegation of Authority

Division of responsibilities between the Chairman, the Chief Executive and Executive Directors; delegated levels of authority, including the Chief Executive's authority limits; establishment of Board Committees and approval of terms of reference of Board Committees.

Corporate Governance Matters

Review of the Company's overall corporate governance arrangements.

Other

Policies including the share dealing code; appointment or change of the Company's principal professional advisers and auditors; overall levels of insurance for the Company; material litigation; any decision likely to have a material impact on the Group or Company from any perspective including, but not limited to, financial, operational, strategic or reputational; matters reserved for Board decisions and which the Board considers suitable for delegation are contained in the terms of reference of its Committees; and the grant of options, warrants or any other form of security convertible into shares.

Directors' attendance at meetings

The Directors' attendance at Board meetings and Board committees during 2021 is detailed in the table below:

Director	Board	Ad Hoc	Audit	Remuneration	Nomination & Corporate Governance	HSE	Reserves
A Craven Walker (Chairman of the Board)	11*	7	–	–	3	–	–
N Pike**	6	3	2*	3	2	–	–
I Vann	10	3	5	4*	–	4	1
M Flegg	11	7	2†	4†	1†	4	–
M Webb	10	2	–	4	3*	–	–
T Garlick	11	3	5	–	3	4*	1*
K Coppinger*	11	3	5*	1	–	–	–
R Rose ***	2	2	–	–	–	–	–
A Bell ***	2	2	3†	–	–	–	–
D Latin ***	–	1	–	–	–	–	–
Total meetings	11	7	5	4	3	4	1

Notes:

The Chairman, Chief Executive Officer 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

** Neil Pike resigned from the Board on 24 June 2021.

*** Andrew Bell was appointed to the Board on 4 September 2021, Richard Rose was appointed to the Board on 28 September 2021 and David Latin was appointed to the Board on 7 December 2021.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

The Nomination and Corporate Governance Committee assists the Board in the oversight of Corporate Governance at Board level. In that regard the Company follows the Corporate Governance Code of the Quoted Companies Alliance, of which it is a member. The Committee is also responsible for monitoring the overall effectiveness of the Board and the appointment of new directors, together with succession planning for the Board.

The Committee's membership comprises Malcolm Webb (Non-Executive director and Committee Chairman), Trevor Garlick (Non-Executive director) and Antony Craven Walker (Executive Chairman of the Company). During the year, upon resignation of Neil Pike from the Board, Trevor Garlick replaced Neil Pike on the Committee.

The Committee met three times during 2021 and will meet at least three times during 2022.

Independence of Non-Executive Directors.

The Committee and the Board are satisfied that each Non-Executive director serving at the end of the year remains independent and continues to have sufficient time to discharge their responsibilities to the Company. Neil Pike resigned from the Board during the year, Ian Vann has served on the Board for over ten years, standing for re-election annually. Further appointments to the Board were made during the year to aid the Company's succession planning.

2021 activities

- During the year, the Committee continued to review succession planning and assisted in the appointment of Richard Rose and David Latin to the Board as part of this ongoing process.
- The Committee supported the appointment of Andrew Bell to the Board.
- The Whistleblowing Policy was reviewed and updated which was then formally adopted by the Board.
- The Committee terms of reference were reviewed.

2022 looking forward

The Committee will continue to monitor and advise on Corporate Governance and pay particular attention to Board structure, diversity and succession planning and expects to see further Board changes consistent with these objectives as the Company's needs evolve. A non-executive director evaluation and appraisal was conducted early 2022.

Malcolm Webb
Chairman of the Nomination and Corporate Governance Committee

20 April 2022

AUDIT COMMITTEE REPORT

The Audit Committee is a standing committee of the Board and assists 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 Committee may hold private sessions with management and with the external auditor without management present. The Committee is also responsible for overseeing the relationship with the external auditor.

An important part of the role of the Committee is its responsibility for reviewing and monitoring the effectiveness of the Group's financial reporting, internal control policies, and procedures for the identification, assessment and reporting of risk. The latter two areas are integral to the Group's core management processes and the Committee devotes significant time to their review.

An essential element of the integrity of the financial statements lies around the key assumptions and estimates or judgments to be made. The Committee reviews key judgments prior to publication of the financial statements at both the end of the financial year and at the end of the six-month interim period, as well as considering significant issues throughout the year. In particular, this includes reviewing any subjective material assumptions within the Group's activities to enable an appropriate determination of asset valuation, provisioning and the accounting treatment thereof. The Committee reviewed and was satisfied that the judgments exercised by management on material items contained within the Report and Financial Statements are reasonable.

The Audit Committee meets regularly and comprises Kate Coppinger (Non-Executive director and Committee Chair), Ian Vann (Non-Executive director), Trevor Garlick (Non-Executive director) and Richard Rose (Non-Executive director). Neil Pike (previous Non-Executive director and Committee Chair) resigned in June 2021.

2021 activities

The Committee continues to engage Ernst & Young (EY) to act as external auditors and they are also invited to attend the relevant Committee meetings, unless they have a conflict of interest.

- During the year, the Committee reviewed the Company's Treasury Policy, Hedging Strategy and Deposit Strategy. The Committee also discussed the Emissions Trading Scheme and delegated authority for purchase.
- The Committee considered the controls review conducted by a specialist who provided a review of the Company's existing systems of financial control. This review involved assessing the Group's internal control and risk management policies and systems and their effectiveness. The Committee continues to be satisfied that the Group does not currently require an internal audit function, although this will be kept under review.
- The external auditors, EY, were re-appointed at the Company's annual general meeting. The Serica Group fee to EY for the financial year to 31 December 2021 is £355,000. The Audit Committee undertakes a comprehensive review of the quality, effectiveness, value and independence of the audit provided by EY each year.
- The Company declared and paid a dividend to shareholders and considered whether an interim dividend should be paid.

Whilst EY have been the Company's auditors for many years, the Committee are comfortable that EY's audit remains independent. The current audit partner has served the Company for 4 years.

2022 looking forward

The Committee, which so far has met three times in 2022 shall continue to work according to its Terms of Reference, and in particular:

- Keep under review the Company's existing control framework.
- Ensure that risk management procedures and controls are appropriate.
- Continue to assess the Company's Hedging strategy.
- Continue to consider the recommendations of the Quoted Companies Alliance Corporate Governance Code, Audit Guide.
- Review the Taskforce for Climate-related Disclosure ("TCFD") recommendations and monitor the implementation of scenario analysis.
- Consider whether a dividend should be payable to shareholders.

Responsibilities

The Committee reviews and makes recommendations to the Board on all material financial decisions affecting the Company, including:

- Any change in accounting policies
- Decisions requiring a major element of judgement and risk
- Compliance with accounting standards and legal and regulatory requirements
- Disclosures in the interim and annual report and financial statements
- Reviewing the effectiveness of the Group's financial and internal controls
- Any significant concerns of the external auditor about the conduct, results or overall outcome of the annual audit of the Group
- Any matters that may significantly affect the independence of the external auditor

Kate Coppinger
Chair of the Audit Committee

20 April 2022

RESERVES COMMITTEE REPORT

The Reserves Committee is a sub-committee of the Audit Committee. The Committee's purpose is to review the reports of the independent reserves auditor which require that the Board discuss the reserves reports with the independent reserves auditor or delegate authority to a reserves committee comprised of at least two Non-Executive Directors.

The Committee comprises of Trevor Garlick (Non-Executive director and Committee Chairman), Ian Vann (Non-Executive director) and Mitch Flegg (Chief Executive Officer of the Company). David Latin joined the Committee in January 2022. The Committee met once in 2021 and typically meets once a year prior to publication of the annual results.

2021 activities

- Worked with new reserves auditor, RISC Advisory who advised a different methodology used to calculate the reserves in respect of each field.
- Engaged RISC Advisory for a minimum of 12 months for the 2021 audit.
- Met with management and the qualified reserves auditor to review the reserves data and the auditor's annual reserves report.
- Reviewed and recommended to the Board approval of the content and filing of the Company's annual statement of reserves data and other oil and gas information.

2022 looking forward

Make a recommendation to the Board (via the Audit Committee) regarding the Company's annual statement of reserves data and other oil and gas information.

Trevor Garlick
Chairman of the Reserves Committee

20 April 2022

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE REPORT

The Health, Safety and Environmental Committee provides assurance to the Board on occupational health, safety and environmental leadership. It is primarily focused on ensuring that HSE policies are adopted and applied across the Group. Environmental, Social and Governance (ESG) assurance also falls under the Committees remit.

The Committee comprises of Trevor Garlick (Non-Executive director and Committee Chairman), Ian Vann (Non-Executive director and previous chairman of the Committee), and Mitch Flegg (Chief Executive Officer of the Company). David Latin joined the Committee in 2022. The VP Operations and VP ESG and Business Innovation are invited to attend the meeting and present their reports.

During 2021, the Committee has met quarterly to discuss matters pertaining to Health, Safety and Environmental issues which were complicated and continued to be dominated by the increasing threat of COVID-19 amongst the workforce. In addition, the Committee focused all the Company's operations, ensuring that adequate HSE policies are adopted and applied across the Group and the Safety Leadership of both Management and the workforce is visible and impactful.

2021 activities

- Monitored the operation of COVID-19.
- Evaluated HSE performance against industry standards and acted on Regulator feedback.
- Monitored interactions with the HSE inspector and ensured that the relationship with the Regulator is constructive and responsive.
- Monitored delivery of HSE performance against the HSE and Risk Management Plan at each meeting.
- Monitored HSE performance of personal and process safety metrics looking at both leading and lagging indicators.
- Reviewed major and reportable HSE incidents that occurred, investigations and lessons learned at each meeting.
- Introduced a new team to address Backlogs.
- Monitored environmental performance and emissions management, focusing on the Company's environmental footprint and plans to contribute to the decarbonisation and energy transition of the North Sea industry.
- Reviewed various energy transition projects.
- Agreed HSE performance metrics linked to the Company bonus scheme.
- Reviewed the Committee Terms of Reference.

2022 looking forward

During 2022, the Committee plans to continue to review the on-going HSE procedures and culture, evaluate HSE performance against our internal plan and industry standards, evaluate performance against the internal 2022 plan, agree a HSE bonus scorecard for 2022 to be linked to the Company bonus scheme for 2022 and ensure that the HSE policy and procedures remain effective. The Committee shall continue to place a focus on ESG, reviewing various projects on how the Company can plan to reduce carbon intensity and emissions.

Trevor Garlick
Chairman of the Health, Safety and Environmental Committee

20 April 2022

DIRECTORS' REMUNERATION REPORT

The Remuneration Committee

The Remuneration Committee is a standing Committee of the Board and meets regularly to consider all material elements of remuneration policy, share schemes, 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 Committee assists the Board in discharging its oversight responsibilities relating to the attraction, compensation, evaluation and retention of Executive Directors and key senior management employees. The Committee aims to ensure that the Company has the right skills and expertise needed to enable the Company to achieve its goals and strategies and that fair and competitive compensation is awarded with appropriate performance incentives across the Company.

The Committee comprises Ian Vann (Non-Executive Director and Committee Chairman), Kate Coppinger (Non-Executive Director), Malcolm Webb (Non-Executive Director) and David Latin (Non-Executive Director). Neil Pike resigned from the Board in June 2021 and David Latin joined the Committee in January 2022. The Committee met four times in 2021 and proposes to meet at least three times during the next financial year.

Consideration by the Directors of matters relating to Directors' remuneration

The Committee is responsible for making recommendations to the Board regarding the framework for the remuneration of the Executive Directors and other members of executive management. The Committee works within its terms of reference, and its role includes:

- Reviewing and approving the Company's overall compensation philosophy and programmes.
- Determining and agreeing with the Board, the Remuneration Policy for all Executive Directors and, under guidance of the Executive Directors, other members of the Executive Management Team.
- Ensuring Executive remuneration packages are competitive.
- Determining whether annual bonus payments should be made and approving levels for individual Executive Directors.
- Determining each year whether any awards/grants should be made under the incentive schemes and the value of such awards.
- Considering any new long-term incentive scheme awards and performance criteria.
- Agreeing Directors' service contracts and notice periods.

The Company is committed to maintaining an open and transparent dialogue with shareholders on all aspects of Remuneration within the Group.

2021 activities

The Committee:

- Approved the level of both the 2020 cash bonus and discretionary bonus.
- Agreed the targets for the 2021 cash bonus scheme.
- Agreed the 2021 employee salary increases.
- Approved the grant of Long Term Incentive Plan (LTIP) awards for 2021.
- Approved the vesting of performance awards granted in 2019.
- Reviewed Executive Director remuneration report (prepared by Deloitte).
- Reviewed CEO and Chair Scorecard (Mid-Year Review).
- Reviewed any Significant Changes to Employee Benefits.
- Reviewed the Gender Balance of the Company.
- Evaluated effectiveness of the Committee.

2022 looking forward

- Reviewing and agreeing the cash bonus to be awarded to employees in respect of the financial year 2021.
- Considering and agreeing any discretionary bonuses to be awarded to senior management.
- Considering and agreeing a programme for the grant of any LTIP awards for 2022.
- Proposing and agreeing the remuneration packages for Executive Directors and advising the Board on the remuneration of Non-executive Directors for 2022.
- Reviewing and agreeing salary proposals for all employees.
- Considering a Share Save scheme for 2022.
- Agreeing a framework for the cash bonus plan 2022.
- Establish a remuneration subcommittee to conduct a remuneration review focussing on attraction and retention of employees.
- Annual Gender pay review.

Executive Directors' service contracts

The Company's policies on Directors' service contracts are indicated below:

Director	Effective term	Notice period
Antony Craven Walker	1 July 2015	6 months from Executive 12 months from Company
Mitch Flegg	21 November 2017	6 months from Executive 12 months from Company
Andrew Bell	3 September 2021	6 months from Executive 6 months from Company

Executive Remuneration

The table below sets out the single total figure of remuneration and breakdown for each Executive Director paid for the 2021 financial year. Remuneration for Mr Bell reflects the period since his appointment to the Board on 3 September 2021.

	Anthony Craven Walker	Mitch Flegg	Andrew Bell
Salary	£455,000	£455,000	£93,699
Annual Bonus	£136,500	£341,250	£86,925
Benefits	Nil	£522	£383
Pension	Nil	£68,250	£14,055
Total	**£591,500**	**£865,022**	**£195,062**

Mr Craven Walker has waived his entitlement to Illness and Medical Insurance, pension contribution and participation in the SIP.

Mr Flegg receives cash in lieu of his entitlement to pension contribution.

Mr Bell receives cash in lieu of his entitlement to pension contribution.

Additional Details

Share Option Plans

The Company operates three discretionary incentive share option plans: (i) the Serica Energy Plc Long Term Incentive Plan (the "LTIP"), which was adopted by the Board on 20 November 2017 which permits the grant of share-based awards, (ii) the 2017 Serica Energy plc Company Share Option Plan ("2017 CSOP"), which was adopted by the Board on 20 November 2017, and (iii) the Serica 2005 Option Plan, which was adopted by the Board on 14 November 2005. Awards can no longer be made under the Serica 2005 Option Plan, however, options remain outstanding under the Serica 2005 Option Plan. The LTIP and the 2017 CSOP together are known as the "Discretionary Plans". The Discretionary Plans will govern all future grants of options by the Company to Directors, officers and employees of the Group. The Directors intend that the maximum number of ordinary shares which may be utilised across all of the Company's share option plans 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.

The objective of the Discretionary Plans is to develop the interest of Directors, officers and employees 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 2005 Option Plan

Director options outstanding at 31 December 2021 under the Serica 2005 Option Plan are detailed below:

Director/Employees	Total number of shares granted
Antony Craven Walker	2,500,000
	2,500,000

Following the approval of the Company's 3.5p per share dividend to shareholders in 2021, dividend accrual amounts of 68,146 LTIP scheme interests (nil cost) were granted in relation to the 2,500,000 Serica 2005 Option Plan awards that had fully vested.

Long Term Incentive Plan

The following awards have been granted to Directors under the LTIP, these were deemed to be granted in November 2017 under IFRS 2 in accordance with the 30 November 2017 Admission Document:

Deferred Bonus Share Awards involve the deferral of bonuses into awards over shares in the Company. They are structured as nil-cost options and may be exercised up until the fifth anniversary of the date of grant. These awards vested on 31 January 2019 and were not subject to performance conditions; however, they were conditional on completion of the BKR Acquisition, subject to the Board determining otherwise.

Director	Total number of shares granted subject to Deferred Bonus Share Awards
Antony Craven Walker	225,000
Mitch Flegg	225,000
Andrew Bell	138,000
	588,000

Following the Company's 3.5p per share dividend to shareholders in 2021, dividend accrual amounts of 6,133 LTIP scheme interests (nil cost) were granted to both Mr Craven Walker and Mr Flegg and 3,761 LTIP scheme interests (nil cost) were granted to Mr Bell in relation to their respective 225,000 and 138,000 DSA Plan awards respectively that had fully vested.

Performance Share Awards were granted in 2018, 2019, 2020 and 2021, these awards are subject to different vesting criteria based on absolute share price performance over a three-year period. The awards granted in 2021 were also subject to ESG performance targets to be met. The targets in respect of the 2018 Performance Share Awards were met and vested in full on 1 December 2020. The targets in respect of the 2019 Performance Share Awards were met and vested in full on 5 March 2022. All Performance Share Awards are structured as nil-cost options and may be exercised up until the tenth anniversary of the date of grant.

Director	Total number of shares granted subject to Performance Share Awards			
	2021	2020	2019 (vested in full)	2018 (vested in full)
Antony Craven Walker	**587,349**	386,100	411,067	1,500,000
Mitch Flegg	**587,349**	386,100	411,067	1,500,000
Andrew Bell	**306,210**	224,478	234,308	800,000
	1,480,908	996,678	1,056,443	3,800,000

Following the Company's 3.5p per share dividend to shareholders in 2021, dividend accrual amounts of 40,887 LTIP scheme interests (nil cost) were granted to both Mr Craven Walker and Mr Flegg and 21,806 LTIP scheme interests (nil cost) were granted to Mr Bell in relation to their respective 2018 PSA Plan awards that had fully vested on 30 November 2020.

Non-Executive Directors

2021 Non-Executive Director fees

Non-Executive Directors	Chair/Director Fees (£)*	Committee Chair Fees (£) **
Neil Pike	25,000	5,000
Ian Vann	50,000	10,000
Malcolm Webb	50,000	10,000
Trevor Garlick	50,000	10,000
Kate Coppinger	50,000	5,154
Richard Rose	13,077	–
David Latin	3,654	–

* Neil Pike resigned on 24 June 2021 and the Director Fee for 2021 is a pro-rata figure of the base annual salary of £50,000. Richard Rose was appointed on 28 September 2021 and David Latin was appointed on 7 December 2021. A Directors Fee for 2021 is a pro-rata figure of the base annual salary of £50,000.

** The Committee Chair fees for 2021 is a pro-rata figure for Neil Pike and Kate Coppinger.

Ian Vann
Remuneration Committee Chairman

20 April 2022

On behalf of the Board

AMBA Secretaries Limited

20 April 2022

DIRECTORS' STATEMENT UNDER SECTION 172 (1) OF THE COMPANIES ACT 2006

The Section 172 (1) of the Companies Act obliges the Directors to promote the success of the Company for the benefit of the Company's members as a whole.

The section specifies that the Directors must act in good faith when promoting the success of the Company and in doing so have regard (amongst other things) to:

a) the likely consequences of any decision in the long term,

b) the interests of the Company's employees,

c) the need to foster the Company's business relationship with suppliers, customers and others,

d) the impact of the Company's operations on the community and environment,

e) the desirability of the Company maintaining a reputation for high standards of business conduct, and

f) the need to act fairly as between members of the Company.

Stakeholder engagement is a priority for the Board, with a view to obtaining a wide range of views and achieving a common understanding of the opportunities and challenges that underpin a long-term sustainable business plan.

Engagement typically takes place with stakeholders through both the Board and the senior management team. Outcomes are reported through to the Board to have a holistic understanding of all stakeholder positions, to balance competing interests and to take into account various views when making decisions.

The Board of Directors is collectively responsible for the decisions made towards the long-term success of the Company and the way in which the strategic, operational and risk management decisions have been implemented throughout the business is detailed in the Strategic Report.

Selective examples of the highlights in respect of each stakeholder group are set out below.

Employees

Our employees are one of the primary assets of our business and the Board recognises that our employees are the key resource which enables the delivery of Company's vision and goals.

We ensure that:

- Health, Safety and the Environment are considered paramount throughout the organisation (both on-shore and off-shore).
- Annual pay and benefit reviews are carried out to determine whether all levels of employees are benefitting fairly and to retain and encourage skills vital for the business.
- There is competitive pay and employee benefits.
- There is ongoing necessary training and development and career prospects available.
- There are freely available Company policies and procedures.
- Staff engagement surveys are conducted.
- Personal development reviews and work appraisals are conducted.
- Employees are informed of the results and important business decisions and are encouraged to feel engaged and to improve their potential. This is carried out with Company Town Hall meetings together with individual team and one to one engagement.
- Working conditions are favourable.
- Newsletters and management updates are provided.
- Team-building sessions and social events are arranged.

Engagement during 2021 continued to be paramount due to the COVID-19 pandemic. The Company has worked to ensure that employees are safe and well, both physically and mentally. Onshore staff primarily worked remotely and were eligible for financial support to improve their working environment. Those who experienced difficulties working from home were allowed back into the office on a strictly manged basis. COVID-19 was managed offshore by reducing the number of people on the platform allowing single occupancy cabins and safer transportation as well as strict testing, isolation and evacuation procedures. Social distancing measures and mask-wearing were also implemented offshore to reduce the risk of transmission. During 2022 the Company hopes to build its phased return to the office in a safe and positive environment for all staff and continues to manage the situation offshore.

The Remuneration Committee oversees and makes recommendations of executive remuneration and any long-term share awards. The Board encourages management to improve employee engagement and to provide necessary training in order to use their skills in the relevant areas in the business. The Health, Safety and Environmental Committee reviews the health and safety measures implemented across the business on a quarterly basis and improvements are continuously recommended for better practice.

Suppliers, Customers and Regulatory Authorities

The Board acknowledges that a strong business relationship with suppliers and customers is a vital part of growth. Whilst day to day business operations are delegated to the executive management and the senior management team, the Board sets directions with regard to new business ventures. The Board upholds ethical business behaviour across all of the Company's activities and encourages management to seek comparable business practices from all suppliers and customers doing business with the Company. We value the feedback we receive from our stakeholders and we take every opportunity to ensure that where possible their wishes are duly considered. The Board supported the Company's adoption of the OEUK Energy Services Agreement that sets base terms for employees working offshore in the UK and promotes a 'safe, stable and fair operating environment'.

Community and Environment

The Company runs an active community support programme through its committees; Charity and Fundraising, Education and Diversity and Inclusion. The Board is kept informed of events through monthly Board papers and regular HSE subcommittee meetings. Staff and stakeholders are updated by various means such as the company newsletter, a weekly staff 'round-up' email, posts on social media – LinkedIn and Twitter, as well as staff HSE and ESG meetings. The annual ESG report provides details of the Company's social activities and is approved by the Board.

Improving environmental performance of the company and acting responsibly is a key Company objective and the Board receives monthly performance updates of key environmental metrics such as emissions, flaring and waste. More detailed updates are given in the HSE/ESG quarterly meetings and by in-person updates in the main board. The Board is regularly updated on the activities and progress of the Emissions Reduction Group and the offshore ESG Champions. Feedback from industry bodies and the Regulator is also provided via the Board committee meetings.

Maintaining High Standards of Business Conduct

The Company is incorporated in the UK and governed by the Companies Act 2006. The Company has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the 'QCA Code') and the Board recognises the importance of maintaining a good level of corporate governance, which together with the requirements to comply with the AIM Rules ensures that the interests of the Company's stakeholders are safeguarded. The Board has prompted that ethical behaviour and business practices should be implemented across the business. Anti-corruption and anti-bribery training are compulsory for all staff and contractors and the anti-bribery statement and policy is provided on the Company's website. The Company's expectation of honest, fair and professional behaviour is reflected by this and there is zero tolerance for bribery and unethical behaviour by anyone representing the Company.

The importance of making all employees feel safe in their environment is maintained and a Whistleblowing Policy is in place to enable staff to confidentially raise any concerns freely and to discuss any issues that arise. Strong financial controls are in place and are well documented. The Board regularly considers the key business risks and a risk matrix is discussed by the Board on a monthly basis.

Shareholders

The Board places equal importance on all shareholders and recognises the significance of transparent and effective communications with shareholders. As an AIM listed company there is a need to provide fair and balanced information in a way that is understandable to all stakeholders and particularly our shareholders.

The primary communication tool with our shareholders is through the Regulatory News Service, ("RNS") on regulatory matters and matters of material substance. The Company's website provides details of the business, investor presentations and details of the Board and Board Committees, changes to major shareholder information and QCA Code disclosure updates under AIM Rule 26. Changes are promptly published on the website to enable the shareholders to be kept abreast of Company's affairs. The Company's Annual Report and Notice of Annual General Meetings (AGM) are available to all shareholders. The Company also published its ESG report in 2021 which is available to all shareholders. The Interim Report and other investor presentations are also available on our website.

The Board acknowledges that encouraging effective two-way communication with shareholders encourages mutual understanding and better connection with them. Investor events are also arranged with shareholders throughout the year which present an opportunity for shareholders to speak with the Executive Directors in a formal environment and in more informal one to one meetings. By providing a variety of ways to communicate with investors the Company feels that it reaches out to engage with a wide range of its stakeholders. The Board is mindful that during the global COVID-19 pandemic face to face meeting with shareholders was not possible during 2020 and limited meetings took place face to face in 2021. The Company has endeavoured to maintain communication with investors remotely and believes that engagement has been carried out efficiently during these challenging times. It is hoped that further face to face engagement with stakeholders will be possible in 2022.

On behalf of Board

Antony Craven Walker
Executive Chairman

20 April 2022

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 UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under United Kingdom company law the Directors have elected to prepare the parent company financial statements in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 Group 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 UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006, 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 UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006, 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

Opinion

In our opinion:

- Serica Energy plc's group financial statements and parent company financial statements (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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Serica Energy plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2021	Balance sheet as at 31 December 2021
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 30 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 30 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards to the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included the following:

- we understood and walked through management's process and controls related to assessing going concern including discussion with management to assess whether all key factors were taken into account.
- we obtained the Group's going concern assessment which includes the cash flow forecast and its liquidity position covering the period to 30 June 2023 (the going concern period) and confirmed that the method used in management's model is appropriate and checked the clerical accuracy of the model;
- we evaluated the information used in the going concern assessment for consistency with the business plans and information obtained through auditing other areas of the business;
- we assessed the key risks to going concern, such as future oil and gas prices and operational issues impacting production volumes, based on management's identification of those risks and our own understanding of the business;
- we compared future short and long-term commodity prices to consensus analysts' forecasts and those adopted by other oil and gas companies and we evaluated whether prices were used consistently across Serica. We also compared Serica's oil and gas price scenarios to the IEA's Net Zero Emissions 2050 (NZE) and to the IEA's Announced Pledges Scenario (APS) price assumptions as potential contradictory evidence for best estimates of future oil and gas prices;
- we reviewed and challenged the significant assumptions applied in the forecast, focussing on the plausible downside scenarios modelled by management, which included the impact on the business model of potential operational issues resulting in a temporary shutdown of the facilities and the impact of changing gas prices on the group's gas price hedging arrangements. We assessed the reasonableness of these assumptions and consistency with information used in other aspects of the preparation of the financial statements;

- we obtained bank confirmations of the Group's cash and cash equivalent balances as at 31 December 2021 and received bank statements to confirm the balances as at 1 April 2022;
- we reviewed the performance during the first quarter of 2022 to identify any issues which may impact management's going concern assessment. We further confirmed that no external debt had been issued after the year-end date;
- we assessed management's ability to forecast accurately based on their historical performance and, where management have experienced differences between forecasts and actuals (whether due to oil and gas prices or other factors), this has informed our view of the adequacy of the stress testing performed by management in their assessment;
- we also performed inquiries of those charged with governance, inquiries with members of management outside of the finance function, review of board minutes and other financial information to consider events or conditions beyond 30 June 2023 that may cast significant doubt on the entity's ability to continue as a going concern and compared their response to other information gathered during the course of our audit;
- considered the likelihood of management's ability to execute mitigating actions, as required, to continue its business activities in the severe downside scenarios simulated in the sensitivity analysis;
- considered whether possible financial consequences of Serica's potential ESG and climate change commitments have been appropriately reflected in the forecasted cash flows; and
- we reviewed the appropriateness of management's going concern disclosures in describing the risks associated with its ability to continue as a going concern for the period to 30 June 2023 and to ensure such disclosures are in accordance with relevant standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period to 30 June 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of two components. • The components where we performed full scope audit procedures accounted for 99% of the profit before tax measure used to calculate materiality, 100% of Revenue and 99% of Total assets.
Key audit matters	• Assessment of oil and gas reserves and their impact on the financial statements • Valuation of gas hedging instruments • Impairment of property, plant and equipment relating to Columbus
Materiality	• Overall group materiality of £5.8m which represents 5% of normalised profit before tax excluding the impact of fair value movements on the BKR contingent consideration, commodity price swaps ("adjusted profit before tax").

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the ten reporting components of the Group, we selected two components covering entities within the UK, which represent the principal business units within the Group.

For both of the components selected, we performed an audit of the complete financial information of the components ("full scope components") which were selected based on their size or risk characteristics.

The reporting components where we performed audit procedures accounted for 99% (2020: 100%) of the Group's adjusted profit before tax (PBT) measure used to calculate materiality, 100% (2020: 100%) of the Group's Revenue and 99% (2020: 99%) of the Group's Total assets.

The remaining eight components together represent 1% of the Group's adjusted profit before tax. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year

In the prior year, our audit covered two full scope components and one specific scope component. As one subsidiary (Serica Energy Namibia BV) relinquished its license and wrote off its property, plant and equipment in 2020, the entity was removed from the specific scope and was covered by other procedures in 2021.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Serica Energy plc. The Group has determined that the most significant future impacts from climate change on its operations will be around decarbonisation, investment required to reduce carbon emissions and improve energy efficiency. These are explained on pages 25 to 26 in the Task Force for Climate related Financial Disclosures and on pages 23 to 25 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the Basis of Preparation in note 2 to the consolidated financial statements governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards. The consideration of reasonably possible changes in significant judgements and estimates have been described in note 2 to the consolidated financial statements.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed on pages 23 to 25 have been appropriately reflected in the disclosures in note 2 to the consolidated financial statements. Details of our procedures and findings with respect to assessment of impairment indicators related to Columbus are included in our key audit matters below. We also challenged the Directors' considerations of climate change in their assessment of going concern and associated disclosures.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Assessment of commercial reserves and its impact on the Financial Statements Refer to the Accounting policies section "Use of judgement and estimates and key sources of estimation uncertainty" (page 61) The estimate of oil and gas reserves and resources has a significant impact on the Financial Statements, particularly impairment assessments and the estimation of depreciation, depletion and amortisation ('DD&A') charges. As described in note 15 to the consolidated financial statements, oil and gas properties amounted to £328.9 million and have an associated DD&A charge of £37.0 million. The estimation of oil and natural gas reserves and resources is complex as there is significant estimation uncertainty in assessing the quantities of reserves and resources in place. If reserves and resources are recognised that are not ultimately produced, DD&A will be understated, and the recoverable amount of assets may be overstated. Reserves and resources are also a fundamental indicator of the future potential of the group's performance. Estimation uncertainty is further elevated given the transition to a low-carbon economy which could impact life-of-field assumptions and increase the risk of underutilised or stranded oil and gas assets. Also, given the estimation of oil and gas reserves is complex, there is a risk that inappropriate management bias influences the estimate.	Our procedures included, amongst others: • confirming our understanding of the group's controls over their certification process for technical and commercial specialists who are responsible for reserves and resources estimation by performing a walk through and assessing the design effectiveness of controls; • assessing the competence and objectivity of these specialists, to satisfy ourselves they were appropriately qualified to carry out the volumes estimation; • obtaining confirmation directly from management's third party specialists that they are independent from Serica and have performed their procedures in line with the guidelines set out by the Society of Petroleum Engineers; • confirming that any material changes in reserves and resources were made in the appropriate accounting period; • assessing, where relevant, whether life of field and cessation of production assumptions incorporated Serica's estimate of costs associated with the potential impact of climate change and the energy transition; • validating that the reserves and resources estimates were included appropriately as key inputs within the group's financial statements, including preparation of the cash flow forecasts for the assessment of the going concern assumption, the determination of the deferred tax asset and accounting for DD&A. The above audit procedures were performed by the group primary team in respect of one full scope component, covering 100% of this risk amount.	We did not identify any exceptions as a result of our audit procedures. We consider the commercial reserves updates have been correctly included in the financial statement calculations and consider the disclosures in the Financial Statements to be appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of property, plant and equipment related to Columbus Refer to the Accounting policies section "Use of judgement and estimates and key sources of estimation uncertainty" (page 61) As described in note 15 to the consolidated financial statements, oil and gas properties recorded within property, plant and equipment (PP&E) amounted to £328.9 million as at 31 December 2021. Of this amount, £83.6m related to the Columbus project. PP&E is assessed for impairment when facts and circumstances suggest that the carrying amount of an asset exceeds its recoverable amount (which is the higher of the estimation of Value in Use and Fair Value less Cost of Disposal). Potential indicators of impairment include a producing asset's operational performance and significant changes (reductions) in oil and gas reserve estimates and oil and gas prices. There is a risk that impairment indicators are not identified, and any resulting impairment tests are not performed on a timely basis. The asset that we assessed as having presented the highest risk of potential impairment was Columbus. Although oil and gas prices were high during the year and at year-end, additional costs were incurred in the finalisation of the Columbus development during the year and initial production (from November 2021) was impacted by export restrictions. Serica also recognised decommissioning obligations in respect of Columbus of £4.8 million as at year-end. Where impairment tests are performed, the most complex judgements in determining the recoverable amount of oil and gas properties are the estimation of future oil and gas price, both in the short term and the long term, and the estimation of oil and gas reserves. The estimation of future oil and gas prices is subject to increased uncertainty, given climate change and the energy transition on the demand for both crude oil and natural gas products. Where impairment tests are performed, there is a risk that management's oil and gas price assumptions are not appropriate, potentially leading to a material misstatement. A further management judgement relates to the estimation of oil and gas reserves as there is significant estimation uncertainty in the process of assessing the quantities of Serica's commercial reserves and resources. We have described the risk within the assessment of commercial reserves and its impact on the financial statements key audit matter above.	Our procedures included: • confirming our understanding of the process to confirm the key controls to mitigate the risk and assessed their design and operating effectiveness; • obtaining management's assessment of whether any indicators of impairment were present for Columbus as at 31 December 2021; • challenging the validity and completeness of the indicators identified by management based on our understanding of the business, experience of auditing other oil and gas companies and knowledge gained from other areas of the audit. Also, we have considered the extent to which management's assertions in the impairment indicator assessment reflect the uncertainty associated with the energy transition; • to test price assumptions, we compared future short and long-term commodity prices to consensus analysts' forecasts and those adopted by other oil and gas companies. We evaluated whether prices were used consistently across Serica. Also, we compared Serica's oil and gas price scenarios to the IEA's Net Zero Emissions 2050 (NZE) and to the IEA's Announced Pledges Scenario (APS) price assumptions as potential contradictory evidence for best estimates of future oil and gas prices; • challenging the impact of the delays in commissioning Columbus and the cost overruns, assessing whether these have been appropriately considered by management; • assessing the economic performance of Columbus since commissioning against approved budgets, taking into account updated reserves and resources estimates; • assessing whether the cash flow forecasts tested as part of our audit of going concern, including the impact of price downside scenarios and sensitivity analyses, supported the conclusion that the recoverable amounts of the group's Columbus oil and gas property was not sensitive to changes in current price assumptions; and • the procedures we performed in relation to oil and gas estimates are described above within the Assessment of commercial reserves key audit matter. The above audit procedures were performed in one component under full scope audit, covering 100% of this risk amount.	On the basis of our audit procedures, we are satisfied with the appropriateness of management's conclusion that there are no indicators of impairment of the group's Columbus oil and gas properties as at 31 December 2021. Management's December 2021 price assumptions for Brent and NBP fall within our consensus range and through comparison to a range of forecasts by banks/brokers, consultants and oil and gas peer companies, we concluded these forecasts are reasonable.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of gas hedging instruments Refer to the Accounting policies section "Use of judgement and estimates and key sources of estimation uncertainty" (page 61) The calculation of the fair value of the gas swaps is complex due to the valuation techniques used and because it involves significant estimation uncertainty in the process, which has been compounded by the increased volatility in gas prices. This accounting estimate impacts the other (expense)/income in the income statement and the financial (liabilities)/ assets in the balance sheet. The group incurred unrealised and realised losses on hedging of £74.6 million and £56.6 million, respectively. At year-end Serica holds derivative contracts in the form of swaps and forwards to mitigate the risk against a fall in gas prices. The group continued to increase its hedged position throughout H1 2021, providing coverage of up to 25% of gas sales. As a result of the significant increase in NBP during the second half of 2021, the group incurred significant hedging losses. As disclosed in note 19, in August 2021, the group restructured a number of derivate contracts held with one counterparty and the new agreements were classified as own use contracts, which are outside of the scope of IFRS 9. Consequently, Serica has accounted for the new hedging arrangements in accordance with IFRS 15. The group obtains the fair value of the commodity price swaps from third parties. The valuations are then reviewed internally by corroborating the assumptions against level two market inputs such as the forward NBP gas price curve.	Our procedures included: • confirming our understanding of the process to confirm the key controls to mitigate the risk and assessed their design and operating effectiveness; • obtaining the schedule of hedging instruments and assessed the completeness and accuracy of the listing by comparing the total to the trial balance and reviewing board meetings, correspondence with third parties and other documentation throughout the audit; • verifying the existence and ownership of derivative contracts by obtaining confirmations from the brokers for both settled and unsettled transactions with the brokers. The confirmations were then agreed back to calculations prepared by management; • engaging internal EY valuation specialists to independently calculate the fair value of the swaps. We then compared the EY expected fair value with the calculation prepared by management to assess any variances; • assessing the accounting treatment of the restructured swaps to ensure compliance with IFRS, including whether the new agreements met the definition of "own use" contracts under IFRS 9; and • reviewing the disclosures in the annual report and ensure compliance with IFRS. The above audit procedures were performed by the group audit team in respect of one full scope audit component, covering 100% of this risk amount.	The fair valuation assessment of the derivative contracts was appropriate and the amounts recorded were materially correct. The treatment of changes to derivative arrangements during the year was in accordance with IFRS 9 and IFRS 15. The presentation and disclosure of the hedging arrangements was appropriate.

In the prior year, our auditor's report included a key audit matter in relation to the measurement of BKR contingent consideration. In the current year, the most significant judgements and level of estimation uncertainty relating to the arrangement were settled prior to the balance sheet date. As a result, the complexity relating to the valuation of the future consideration and magnitude of misstatement has reduced.

In the current year, we have added the valuation of gas hedging instruments as a key audit matter given the significant gas price volatility experienced during 2021 and the material impact on the financial statements of a relatively small percentage change in gas prices. In addition, the risk was elevated by the restructuring of contracts held with one counterparty and the accounting implications of the change.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £5.8 million (2020: £3.2 million), which is 5% (2020: 4%) of adjusted profit before tax. We believe that adjusted profit before tax, on a normalised basis, provides us with an appropriate basis for planning materiality for the current year audit.

Our key criterion in determining materiality remains our perception of the needs of Serica's stakeholders. We consider which earnings, activity or capital-based measure aligns best with the expectations of the users of Serica's financial statements. In doing so, we apply a 'reasonable investor perspective', which reflects our understanding of the common financial information needs of the members of Serica as a group.

Consistent with our approach in the prior period, the financial measure on which we have determined materiality is adjusted profit before tax. We believe that adjusted profit before tax is the most appropriate measure upon which to calculate materiality as it represents a key performance indicator used by Serica's investors and is the expectation for a listed company that is generating profits.

Given the significant increase and volatility in commodity prices experienced in the second half of 2021, we determined that the basis of planning materiality should be normalised adjusted profit before tax. We normalised the 2021 adjusted profit before tax by applying the average price for the first half of the year to the actual volumes sold during the second half of the period. Under auditing standards, the use of a normalised basis is appropriate where an entity's results are directly impacted by a significant change in the market price for a commodity whilst the underlying operating activity remains similar to previous years, provided this is viewed as a temporary change. In the second half of 2021, NBP gas prices have increased to unprecedented high levels and are forecast to decrease in 2022 and 2023. Whilst R3 and Columbus achieved first production in the second half of the year, Serica's remaining business and operations have remained fundamentally the same. By applying a normalised approach, large year-on-year swings in materiality, caused primarily by commodity price volatility, are minimised.

In our calculation of planning materiality, we also excluded from profit before tax the impact of fair value movements on the BKR contingent consideration and commodity price hedges. This was based on the fact that both of these financial statement items are impacted by significant changes in oil and gas prices, which could distort the underlying results of the performance of the business. These amounts represented net income statement losses of £242 million (2020: gains of £27 million) that have therefore been excluded from adjusted profit before tax.

We determined materiality for the Parent Company to be £5.3 million (2020: £5.4 million), which is 2% (2020: 2%) of equity. We use equity as the basis for materiality as the purpose of the parent company is to hold investments in its subsidiaries. We do not expect significant annual profits to be generated by the company in future periods, as this will be dependent on the level and timing of any subsequent intra-group dividends paid by the group's operating companies. Any balances in the parent company financial statements that were relevant to our audit of the consolidated group were audited using an allocation of group performance materiality.

During the course of our audit, we reassessed initial materiality and based on the final results for 2021, we concluded that no changes were required.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £4.3 million (2020: £2.4 million). We have set performance materiality at this percentage due to the stability in the group post the material acquisition of BKR in 2018 and the low number of audit differences identified in the 2020 audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the performance materiality allocated to components was £3.7 million (2020: £2.1 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.28 million (2020: £0.16 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 3 and 6 to 46, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are international accounting standards in conformity with the requirements of the Companies Act 2006, the Companies Act 2006, AIM listing rules and UK tax legislation
- We understood how Serica Energy plc is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies, and noted there was no contradictory evidence.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand what areas were susceptible to fraud. We also considered performance targets and their propensity to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved incorporated data analytics across our audit approach, journal entry testing with a focus on manual consolidation journals and journals meeting our defined risk criteria based on our understanding of the business; enquiries of management, review of Board and Audit Committee reporting; and focused testing as referred to in the key audit matters section above.
- We ensured our audit team has appropriate industry experience through working for many years on relevant audits, including experience of oil and gas companies. Our audit planning included considering external market factors, for example geopolitical risk, the potential impact of climate change, commodity price risk and major trends in the industry.

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

Use of our report

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

Mark Woodward (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London

20 April 2022

GROUP INCOME STATEMENT for the year ended 31 December

	Note	2021 £000	2020 £000
Continuing operations			
Sales revenue	4	**514,136**	125,641
Cost of sales	5	**(127,313)**	(128,560)
Gross profit/(loss)		**386,823**	(2,919)
Unrealised hedging expense	6	**(74,592)**	(16,571)
Realised hedging (expense)/income	6	**(56,615)**	12,295
Pre-licence costs		**(199)**	–
E&E asset write-offs	14	**–**	(3,725)
Administrative expenses		**(6,097)**	(5,579)
Foreign exchange loss		**(854)**	(344)
Share-based payments	27	**(2,386)**	(1,862)
Operating profit/(loss) before net finance revenue and tax		**246,080**	(18,705)
Change in fair value of BKR financial liabilities	22	**(110,529)**	31,296
Finance revenue	9	**82**	465
Finance costs	10	**(527)**	(508)
Profit before taxation		**135,106**	12,548
Taxation charge for the year	11a)	**(55,812)**	(4,769)
Profit for the year		**79,294**	7,779
Earnings per ordinary share – EPS			
Basic EPS on profit for the year (£)	12	**0.30**	0.03
Diluted EPS on profit for the year (£)	12	**0.28**	0.03

Group Statement of Comprehensive Income

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

BALANCE SHEET as at 31 December

Registered number: 5450950	Note	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Non-current assets					
Exploration & evaluation assets	14	**2,949**	1,043	**–**	–
Property, plant and equipment	15	**328,944**	311,125	**43**	215
Investments in subsidiaries	16	**–**	–	**105,256**	105,256
		331,893	312,168	**105,299**	105,471
Current assets					
Inventories	17	**4,053**	4,633	**–**	–
Trade and other receivables	18	**132,351**	39,529	**162,010**	162,291
Hedging security advances	19	**115,390**	1,800	**–**	–
Cash and cash equivalents	20	**102,984**	89,333	**578**	7,078
		354,778	135,295	**162,588**	169,369
TOTAL ASSETS		**686,671**	447,463	**267,887**	274,840
Current liabilities					
Trade and other payables	21	**(49,501)**	(31,121)	**(1,023)**	(995)
Derivative financial liabilities	19	**(45,791)**	(9,691)	**–**	–
Gas contract liabilities	19	**(37,505)**	–	**–**	–
Financial liabilities	22	**(93,861)**	(53,634)	**–**	–
Provisions	23	**–**	(1,002)	**–**	–
Non-current liabilities					
Gas contract liabilities	19	**(987)**	–	**–**	–
Financial liabilities	22	**(37,795)**	(48,770)	**–**	–
Provisions	23	**(28,095)**	(22,799)	**–**	–
Deferred tax liability	11d)	**(120,608)**	(80,600)	**–**	–
TOTAL LIABILITIES		**(414,143)**	(247,617)	**(1,023)**	(995)
NET ASSETS		**272,528**	199,846	**266,864**	273,845
Share capital	25	**181,993**	181,606	**154,294**	153,907
Merger reserve	16	**–**	–	**88,088**	88,088
Other reserve	27	**22,066**	19,680	**22,066**	19,680
Accumulated funds/(deficit)		**68,469**	(1,440)	**2,416**	12,170
TOTAL EQUITY		**272,528**	199,846	**266,864**	273,845

The loss for the Company was £0.4 million for the year ended 31 December 2021 (2020: profit of £71.2 million). In accordance with the exemption granted under section 408 of the Companies Act 2006 a separate income statement for the Company has not been presented.

Approved by the Board on 20 April 2022

Mitch Flegg
Chief Executive Officer

Andrew Bell
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December

Group	Note	Share capital £000	Other reserve £000	Accum'd funds/ (deficit) £000	Total £000
At 1 January 2020		181,385	17,818	(1,193)	198,010
Profit for the year		–	–	7,779	7,779
Total comprehensive income		–	–	7,779	7,779
Share-based payments	27	–	1,862	–	1,862
Issue of share capital	25	221	–	–	221
Dividend paid	13	–	–	(8,026)	(8,026)
At 31 December 2020		181,606	19,680	(1,440)	199,846
Profit for the year		–	–	79,294	79,294
Total comprehensive income		–	–	79,294	79,294
Share-based payments	27	–	2,386	–	2,386
Issue of share capital	25	387	–	–	387
Dividend paid	13	–	–	(9,385)	(9,385)
At 31 December 2021		**181,993**	**22,066**	**68,469**	**272,528**

Company	Share capital £000	Merger reserve £000	Other reserve £000	Accum'd funds/ (deficit) £000	Total £000
At 1 January 2020	153,686	88,088	17,818	(51,009)	208,583
Profit for the year	–	–	–	71,205	71,205
Total comprehensive income	–	–	–	71,205	71,205
Share-based payments (note 27)	–	–	1,862	–	1,862
Issue of share capital (note 25)	221	–	–	–	221
Dividend paid	–	–	–	(8,026)	(8,026)
At 31 December 2020	153,907	88,088	19,680	12,170	273,845
Loss for the year	–	–	–	(369)	(369)
Total comprehensive income	–	–	–	(369)	(369)
Share-based payments (note 27)	–	–	2,386	–	2,386
Issue of share capital (note 25)	387	–	–	–	387
Dividend paid (note 13)	–	–	–	(9,385)	(9,385)
At 31 December 2021	**154,294**	**88,088**	**22,066**	**2,416**	**266,864**

CASH FLOW STATEMENT for the year ended 31 December

		Group		Company	
	Note	2021 £000	2020 £000	2021 £000	2020 £000
Profit/(loss) for the year		**79,294**	7,779	**(369)**	71,205
Adjustments to reconcile profit for the year to net cash flow from operating activities:					
Taxation charge		**55,812**	4,769	**–**	–
Change in BKR fair value liability		**110,529**	(31,296)	**–**	–
Net finance costs/(income)		**445**	43	**49**	(20)
Depreciation and depletion		**37,048**	38,495	**–**	–
Oil and NGL over/underlift		**(6,859)**	342	**–**	–
E&E asset write-offs		**–**	3,725	**–**	–
Unrealised hedging losses		**74,592**	16,571	**–**	–
Write-back of loans and investments		**–**	–	**–**	–
Share-based payments		**2,386**	1,862	**2,386**	1,862
Other non-cash movements		**349**	629	**80**	182
Hedging security advances		**(113,590)**	(1,800)	**–**	–
(Increase)/decrease in trade and other receivables		**(86,527)**	(3,623)	**453**	(68,961)
Decrease in inventories		**580**	38	**–**	–
Increase/(decrease) in trade and other payables		**3,544**	6,537	**207**	(438)
Net cash inflow from operations		**157,603**	44,071	**2,806**	3,830
Investing activities:					
Interest received		**82**	465	**7**	57
Purchase of E&E assets		**(1,906)**	(1,116)	**–**	–
Purchase of property, plant and equipment		**(50,252)**	(25,530)	**–**	–
Cash outflow from business combination	22	**(81,277)**	(21,759)	**–**	–
Cash outflow arising on asset acquisitions	23	**(1,002)**	–	**–**	–
Net cash flow from investing activities		**(134,355)**	(47,940)	**7**	57
Financing activities:					
Payments of lease liabilities	28	**(179)**	(133)	**(179)**	(133)
Proceeds from issue of shares	25	**387**	221	**387**	221
Dividends paid	13	**(9,385)**	(8,026)	**(9,385)**	(8,026)
Finance costs paid		**(71)**	(56)	**(56)**	(37)
Net cash flow from financing activities		**(9,248)**	(7,994)	**(9,233)**	(7,975)
Net increase/(decrease) in cash and cash equivalents	26	**14,000**	(11,863)	**(6,420)**	(4,088)
Effect of exchange rates on cash and cash equivalents	26	**(349)**	(629)	**(80)**	(182)
Cash and cash equivalents at 1 January	26	**89,333**	101,825	**7,078**	11,348
Cash and cash equivalents at 31 December	26	**102,984**	89,333	**578**	7,078

1. Authorisation of the Financial Statements and Statement of Compliance with International Accounting Standards in conformity with the requirements of the Companies Act 2006

The Group's and Company's financial statements for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 20 April 2022 and the balance sheets were signed on the Board's behalf by Mitch Flegg and Andrew Bell. Serica Energy plc is a public limited company incorporated and domiciled in England & Wales with its registered office at 48 George Street, London, W1U 7DY. 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. The Company's ordinary shares are traded on AIM.

The Group's financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the Group for the year ended 31 December 2021. The Company's financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the Company for the year ended 31 December 2020 and as applied in accordance with the provisions of the Companies Act 2006. 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 loss dealt with in the financial statements of the parent Company was £369,000 (2020: profit £71,205,000).

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 2021.

The Group and Company financial statements have been prepared on a historical cost basis and following the change in functional and presentational currency from US$ to £ sterling with effect from 1 January 2019 are presented in £ sterling. All values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

In preparing the Group financial Statements management has considered the impact of climate change. These considerations did not have a material impact on the financial reporting judgements and estimates and consequently climate change is not expected to have a significant impact on the Group's going concern assessment to June 2023 nor the viability of the Group over the next five years. However, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. It is recognised that Net Zero targets and third party expectations may drive government action that imposes further requirements and costs on companies in the future. However, as all of the Group's currently producing assets are projected to cease production by 2030 it is believed that any such future changes would have limited impact compared to assets with longer durations.

Going Concern

The Directors are required to consider the availability of resources to meet the Group's liabilities for the foreseeable future. The financial position of the Group, its cash flows and capital commitments are described in the Financial Review above.

At 31 December 2021 the Group held cash and term deposits of £103.0 million which had increased to approximately £213.1 million by 20 April 2022 with a further £150.6 million of security advances lodged with hedge counterparties. The cash balance at 20 April 2022 included £12.9 million of restricted funds.

The Group regularly monitors its cash, funding and liquidity position. Near term cash projections are revised and underlying assumptions reviewed, generally monthly, and longer-term projections are also updated regularly. Downside price and other risking scenarios are considered. In addition to commodity sales prices the Group is exposed to potential production interruptions and these are also considered under such scenarios. Serica's acquisitions to-date have been structured to reduce post-completion risk and, following completion of the BKR transactions, management has given priority to building a strong cash reserve which can respond to different types of risk. For the purposes of the Group's going concern assessment we have reviewed cash projections for the period ending 30 June 2023, the 'going concern period'.

Serica currently has no borrowings, relatively low operating costs per boe and its capital commitments can be funded from existing cash resources.

After making enquiries and having taken into consideration the above factors, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2. Accounting Policies continued

Use of judgement and estimates and key sources of estimation uncertainty

The preparation of financial statements in conformity with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 judgements 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.

Sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognised in the financial statements are: determining the fair value of contingent consideration, decommissioning provisions, the valuation of gas hedging instruments and the assessment of commercial reserves.

Determining the fair value of contingent consideration on BKR acquisitions

The Group determined the fair value of initial contingent consideration payable based on discounted cash flows at the time of the acquisition in 2018, calculated for each separate component of the contingent consideration. The same models and assumptions were used in the calculation of the fair value of property, plant and equipment arising on the business combination. Any cash flows specific to the contingent consideration also reflect applicable commercial terms and risks. In calculating the fair value of contingent consideration on the BKR acquisitions payable as at 31 December 2021, assumptions underlying the calculation were updated from 2020. These included updated commodity prices, production profiles, future opex, capex and decommissioning cost estimates, discount rates, proved and probable reserves estimates and risk assessments. For further details including sensitivities of the calculation to changes in input variables, see note 22.

Decommissioning provision

Amounts used in recording a provision for decommissioning are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to decommissioning are likely to differ in practice. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of decommissioning provisions are reviewed on a regular basis. The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively. While the Group uses its best estimates and judgement, actual results could differ from these estimates (see note 23).

Valuation of gas hedging instruments

The calculation of the fair value of the Group's gas swaps is complex due to the valuation techniques used and involves significant estimation uncertainty in the process which has been compounded by the increased volatility in gas prices. The accounting estimate impacts unrealised hedging losses in the income statement (see note 6) and financial liabilities in the balance sheet (see note 19). An increase of 20 pence per therm from the 2022 and 2023 forecast forward pricing used in the 31 December 2021 valuation of outstanding gas swaps held would lead to an increase of £9.1 million in the recorded liability and unrealised 2021 hedging losses.

Assessment of commercial oil and gas 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 data sets using its own internal expertise. A 10% reduction in the assessed quantity of commercial reserves would lead to an increase in the depletion charge for 2021 of £4.1 million.

Uses of judgement

A key source of judgement that has a significant risk of causing material adjustment to the amounts recognised in the financial statements is whether impairment triggers exist that might lead to the impairment of the Group and Company's assets (including oil and gas development assets and Exploration and Evaluation "E&E" assets).

Assessment of the recoverable amount of intangible and tangible assets

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 licence performance obligations can be met within the required regulatory timeframe, 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.

2. Accounting Policies continued

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 and production 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 proven and probable 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 16).

A review was performed for any indication that the value of the Group's oil and gas assets may be impaired at the balance sheet date of 31 December 2021 in accordance with the stated policy and no impairment triggers were noted.

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 Energy Slyne B.V., Serica Energy Rockall B.V., Serica Energy 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 its subsidiaries is £ sterling following the change in functional and presentational currency from US$ to £ sterling with effect from 1 January 2019.

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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred to the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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.

2. Accounting Policies continued

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 joint 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.

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. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is reversed as a credit to 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, any applicable borrowing costs.

2. Accounting Policies continued

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 management's assessment of proved and probable reserves, reflecting risks applicable to the specific assets. Changes in reserve quantities and cost estimates are recognised prospectively from the last reporting date. Proved and probable reserves estimates obtained from an independent reserves specialist have been used as the basis for 2020 and 2021 calculations.

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.

Acquisitions, Asset Purchases and Disposals

Acquisitions of oil and gas properties are accounted for under the acquisition method when the assets acquired and liabilities assumed constitute a business.

Transactions involving the purchase of an individual field interest, or a group of field interests, that do not constitute a business, are treated as asset purchases. Accordingly, no goodwill and no deferred tax gross up arises, and the consideration is allocated to the assets and liabilities purchased on an appropriate basis. 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 are 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.

Underlift/Overlift

Lifting arrangements for oil and gas produced in certain fields are such that each participant may not receive its share of the overall production in each period. The difference between cumulative entitlement and cumulative production less stock is 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within debtors ('underlift') or creditors ('overlift').

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, and right-of-use assets over the period of lease.

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 and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

2. Accounting Policies continued

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through profit or loss, and fair value through other comprehensive income (OCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs (in the case of a financial asset not at fair value through profit or loss). Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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.

In order for a financial asset to be classified and measured at amortised cost it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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 are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group's financial liabilities currently include trade and other payables. All financial liabilities are recognised initially at fair value. 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.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward commodity contracts, to hedge its commodity price risks. The Group has elected not to apply hedge accounting to these derivatives. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income and presented within operating profit.

Further details of the fair values of derivative financial instruments and how they are measured are provided in Note 19.

Equity

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

Trade and other receivables and contract assets

Trade receivables and contract assets

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). A contract asset is the right to consideration in exchange for goods or services transferred to the customer.

Provision for expected credit losses of trade receivables and contract assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses 'ECLs'. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group's receivables have a good credit rating and there has been no noted change in the credit risk of receivables in the year.

2. Accounting Policies continued

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Group's estimate in respect of contingent consideration that may be payable following the acquisition of its interest in the Erskine field, is capitalised as an asset acquisition cost. The value of the provision is determined by the amounts and nature of operating costs incurred over a contractual period.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The sale of crude oil, gas or condensate represents a single performance obligation, being the sale of barrels equivalent on collection of a cargo or on delivery of commodity into an infrastructure. Revenue is accordingly recognised for this performance obligation when control over the corresponding commodity is transferred to the customer. The normal credit term is 15 to 45 days upon collection or delivery.

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.

Share-Based Payment Transactions

Employees (including Executive 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. For equity awards cancelled by forfeiture when vesting conditions are not met, any expense previously recognised is reversed and recognised as a credit in the income statement. 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.

2. Accounting Policies continued

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.

Leases

As a lessee, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease, or, if that rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently recorded at amortised cost, using the effective interest rate method. The liability is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The Group does not currently act as a lessor.

New and amended standards and interpretations

The Group has adopted and applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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 is currently assessing the impact of these standards and intends to adopt them when they become effective. In reviewing the below standards, the Group does not believe that there will be a material impact on the financial statements.

2. Accounting Policies continued

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

3. Segment Information

The Group's business is that of oil and 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 2021 and 2020. Following the relinquishment in 2020 of the Group's interest in its Namibian licence, no financial information is relevant to the Africa segment in 2021. Costs associated with the UK corporate centre are included in the UK reportable segment.

Year ended 31 December 2021	UK £000	Total £000
Revenue	514,136	514,136
Continuing operations		
Depletion	(37,048)	(37,048)
Other expenses	(231,008)	(231,008)
E&E asset write-offs	–	–
Operating and segment profit	246,080	246,080
Change in BKR financial liability	(110,529)	(110,529)
Finance revenue	82	82
Finance costs	(527)	(527)
Profit before taxation	135,106	135,106
Taxation charge for the year	(55,812)	(55,812)
Profit after taxation	79,294	79,294
Other segment information:		
Property, plant & equipment	328,944	328,944
Exploration and evaluation assets	2,949	2,949
Other assets	354,778	354,778
Unallocated assets		–
Total assets	686,671	686,671
Segment liabilities	(414,143)	(414,143)
Total liabilities	(414,143)	(414,143)
Capital expenditure 2021:		
Property, plant & equipment	50,252	50,252
Exploration and evaluation assets	1,906	1,906

3. Segment Information continued

Year ended 31 December 2020	UK £000	Africa £000	Total £000
Revenue	125,641	–	125,641
Continuing operations			
Depletion	(38,495)	–	(38,495)
Other expenses	(102,126)	–	(102,126)
E&E asset write-offs	(267)	(3,458)	(3,725)
Operating and segment loss	(15,247)	(3,458)	(18,705)
Change in BKR financial liability	31,296	–	31,296
Finance revenue	465	–	465
Finance costs	(508)	–	(508)
Profit/(loss) before taxation	16,006	(3,458)	12,548
Taxation charge for the year	(4,769)	–	(4,769)
Profit/(loss) after taxation	11,237	(3,458)	7,779
Other segment information:			
Property, plant & equipment	311,125	–	311,125
Exploration and evaluation assets	1,043	–	1,043
Other assets	135,295	–	135,295
Unallocated assets			–
Total assets	447,463	–	447,463
Segment liabilities	(247,617)	–	(247,617)
Total liabilities	(247,617)	–	(247,617)
Capital expenditure 2020:			
Property, plant & equipment	25,530	–	25,530
Exploration and evaluation assets	1,006	110	1,116

Unallocated assets comprise cash on deposit. In 2020 and 2021 all cash on deposit is allocated to the UK operating segment.

Information on major customers is provided in note 4.

4. Sales Revenue

	2021 £000	2020 £000
Gas sales	**455,969**	80,066
Oil sales	**40,215**	32,917
NGL sales	**17,952**	12,658
	514,136	125,641

Gas sales revenue in 2020 and 2021 arose from one key customer, all oil sales revenue in 2020 and 2021 was from one key customer, and NGL sales in 2021 were made to six (2020: four) customers.

5. Cost of Sales

	2021 £000	2020 £000
Operating costs	**97,124**	89,723
Depletion (see note 15)	**37,048**	38,495
Movement in liquids overlift/underlift	**(6,859)**	342
	127,313	128,560

6. Group Operating Profit

	2021 £000	2020 £000
This is stated after crediting/(charging):		
Realised hedging (losses)/gains	**(56,615)**	12,295
Unrealised hedging losses on gas swaps	**(36,100)**	(16,571)
Other hedging losses (note 19)	**(38,492)**	–
Unrealised hedging losses	**(74,592)**	(16,571)

Realised hedging losses comprise losses realised on 2021 gas price swaps.

Unrealised hedging losses on gas swaps comprise unrealised charges on the movement during 2021 in the calculated fair value liability of outstanding gas price derivative contracts measured at the respective Balance Sheet dates.

Other hedging losses comprise charges for the fair value of 2022 and 2023 hedging instruments crystalised as gas contract liabilities upon a restructuring of certain gas swaps to other fixed price instruments under a gas sales contract in August 2021. Further detail is provided in note 19.

Depreciation, depletion and amortisation expense

Depreciation of other property, plant and equipment totalled £225,000 in 2021 (2020: £225,000) and was allocated within general and administrative expenses.

Depletion of oil and gas properties is classified within cost of sales.

7. Auditor's Remuneration

	2021 £000	2020 £000
Audit of the Group accounts	**310**	300
Audit of the Company's accounts	**30**	30
Audit of accounts of Company's subsidiaries	**15**	10
Total audit fees	**355**	340

No fees were paid to Ernst & Young LLP and its associates for non-audit services in 2020 or 2021.

8. Staff Costs and Directors' Emoluments

a) Staff Costs	2021 £000	2020 £000
Staff costs – Group		
Wages and salaries	**19,637**	17,935
Social security costs	**2,525**	2,276
Other pension costs	**2,104**	1,966
Share-based long-term incentives	**2,386**	1,862
	26,652	24,039
Staff Costs – Company		
Staff costs		
Wages and salaries	**3,064**	2,432
Social security costs	**554**	362
Other pension costs	**126**	145
	3,744	2,939

The average number of persons employed by the Group during the year was 164 (2020: 153), with 9 in management functions (2020: 9), 145 in technical functions (2020: 134) and 10 (2020: 10) in finance and administrative functions.

The average number of persons employed by the Company during the year was 11 (2020:11) with 7 in management functions (2020: 7), 1 in technical functions (2020:1) and 3 (2020: 3) in finance and administrative functions.

Staff costs for key management personnel:

Short-term employee benefits	**2,040**	1,340
Post-employment benefits	**82**	40
Share-based payments	**617**	544
	2,739	1,924

8. Staff Costs and Directors' Emoluments continued

b) Directors' Emoluments

The emoluments of the individual Directors were as follows. All amounts are paid in £ sterling.

	2021 Salary and fees £000	2021 Bonus £000	2021 Pension £000	2021 Benefits in kind £000	2021 Total £000	2020 Total £000
A Craven Walker	455	137	–	–	**592**	485
M Flegg[1]	455	341	68	1	**865**	521
A Bell[1 2]	94	87	14	–	**195**	–
N Pike[3]	30	–	–	–	**30**	50
I Vann	60	–	–	–	**60**	50
T Garlick	60	–	–	–	**60**	50
M Webb	60	–	–	–	**60**	50
K Coppinger[4]	55	–	–	–	**55**	28
R Rose[5]	13	–	–	–	**13**	–
D Latin[6]	4	–	–	–	**4**	–
	1,286	**565**	**82**	**1**	**1,934**	**1,234**

[1] Cash in lieu of pension.
[2] Andrew Bell was appointed on 3 September 2021
[3] Neil Pike retired on 24 June 2021
[4] Kate Coppinger was appointed on 22 April 2020
[5] Richard Rose was appointed on 28 September 2021
[6] David Latin was appointed on 7 December 2021

	2021	2020
Number of Directors securing benefits under defined contribution schemes during the year	**2**	1
Number of Directors who exercised share options	**–**	–

	£000	£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 30.

9. Finance Revenue

	2021 £000	2020 £000
Bank interest receivable	**82**	465
Total finance revenue	**82**	465

10. Finance Costs

	2021 £000	2020 £000
Other interest payable	**71**	56
Unwinding of discount on decommissioning provisions (note 23)	**456**	452
Total finance costs	**527**	508

11. Taxation

	2021 £000	2020 £000
a) Tax charged/(credited) in the income statement		
Charge for the year	**15,804**	–
Total current income tax charge	**15,804**	–
Deferred tax		
Origination and reversal of temporary differences in the current year	**41,060**	4,769
Adjustment in respect of prior years	**(1,052)**	–
Total deferred tax charge	**40,008**	4,769
Tax charge in the income statement	**55,812**	4,769

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

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

	2021 £000	2020 £000
Accounting profit before taxation	**135,106**	12,548
Statutory rate of corporation tax in the UK of 40% (2020: 40%)	**54,042**	5,019
Expenses/(income) not deductible/(chargeable) for tax	**5,299**	(29)
Unrecognised tax losses	**717**	745
Exploration write-offs	**–**	971
Investment Allowance	**(3,140)**	(1,600)
Revisions to assets	**–**	(338)
Different foreign tax rates	**7**	521
Other	**(61)**	(520)
Adjustment in respect of prior years	**(1,052)**	–
Tax charge reported in the income statement	**55,812**	4,769

11. Taxation continued

c) Recognised and unrecognised tax losses

The Group's deferred tax assets at 31 December 2021 are recognised to the extent that taxable profits are expected to arise in the future against which tax losses and allowances in the UK can be utilised. In accordance with IAS 12 Income Taxes, the Group assessed the recoverability of its deferred tax assets at 31 December 2021 with respect to ring fence losses and allowances.

The Group has UK ring fence tax losses of £nil million available as at 31 December 2021 (2020: £46.1 million) which form part of total UK tax losses of approximately £28.0 million (2020: £72.4 million) that are available indefinitely for offset against future trading profits of the companies in which the losses arose. Of this amount £nil million (2020: £46.1 million) has been set off against taxable temporary differences. The benefit of approximately £28.0 million (2020: £26.3 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 either been recognised in the net deferred tax asset or set against a deferred tax liability arising.

d) Deferred tax

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

	2021 £000	2020 £000
Deferred tax liability:		
Temporary differences on capital expenditure	**(131,846)**	(124,781)
Deferred tax liability	**(131,846)**	(124,781)
Deferred tax asset:		
Movement in tax losses carried forward	**–**	20,427
Deductibles under the Net Cash Flow Sharing Deed	**–**	14,635
Decommissioning liability	**11,238**	9,119
Deferred tax asset	**11,238**	44,181
Net deferred tax liability	**(120,608)**	(80,600)

Reconciliation of net deferred tax (liabilities)/assets

	2021 £000	2020 £000
At 1 January	**(80,600)**	(75,831)
Tax charge during the year recognised in profit	**(40,008)**	(4,769)
At 31 December	**(120,608)**	(80,600)

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

	2021 £000	2020 £000
Deferred tax in the income statement:		
Temporary differences on capital expenditure	**7,065**	(5,381)
Temporary difference on future recoverable costs	**–**	–
Tax losses carried forward	**20,427**	(4,032)
Net Cash Flow Sharing Deed	**14,635**	14,265
Other temporary differences	**(2,119)**	(83)
Deferred income tax charge	**40,008**	4,769

11. Taxation continued

e) Changes to UK corporation tax legislation

The Finance Bill 2021 contained legislation to increase the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. This rate was substantively enacted in May 2021. The Group does not currently recognise any deferred tax assets in respect of UK non-ring fence tax losses and therefore this rate change did not impact the disclosed results. The headline rate of tax for UK ring-fenced trading profits remains at 40%.

f) Unrecognised deferred tax liability

In 2021 and 2020 there are no material temporary differences associated with investments subsidiaries for which deferred tax liabilities have not been recognised.

g) Company

The Company has £28.0 million (2020: £26.3 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 granted under share-based payment plans (see note 27) into ordinary shares.

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

	2021 £000	2020 £000
Net profit from continuing operations	**79,294**	7,779
Net profit attributable to equity holders of the parent	**79,294**	7,779

	2021 '000	2020 '000
Basic weighted average number of shares	**268,262**	267,523
Dilutive potential of ordinary shares granted under share-based payment plans	**13,106**	10,511
Diluted weighted average number of shares	**281,368**	278,034

	2021 £	2020 £
Basic EPS on profit for the year (£)	**0.30**	0.03
Diluted EPS on profit for the year (£)	**0.28**	0.03

13. Dividends Proposed

Proposed dividends on ordinary shares

A final cash dividend for 2021 of 9.0 pence per share is proposed which would generate a payment of £24.4 million. Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

Dividend on ordinary shares paid in 2021

A final cash dividend for 2020 of 3.5 pence per share was proposed in April 2021 and approved at the annual general meeting on 24 June 2021. Following the approval in the 1H 2021 period, the dividend payable of £9.4 million was paid in July 2021.

14. Exploration and Evaluation Assets

Group	Total £000
Cost:	
1 January 2020	3,652
Additions	1,116
Write-offs	(3,725)
31 December 2020	1,043
Additions	1,906
Write-offs	–
31 December 2021	**2,949**
Provision for impairment:	
1 January 2020	–
Impairment reversal for the year	–
31 December 2020	–
Impairment reversal for the year	–
31 December 2021	**–**
Net book amount:	
31 December 2021	**2,949**
31 December 2020	1,043
1 January 2020	3,652

The 2020 asset write-off figure comprised a £3.458 million charge against the Group's Namibian licence following the region exit in the year, and £0.267 million from the relinquishment of UK Licence P2388 Block 23/21b.

Company

The Company has no E&E assets.

15. Property, Plant and Equipment

Group	Oil and gas properties £000	Equipment, fixtures and fittings £000	Right-of-use assets £000	Total £000
Cost:				
1 January 2020	387,021	212	516	387,749
Additions	25,530	–	–	25,530
Revisions (note 23)	(1,089)	–	–	(1,089)
31 December 2020	411,462	212	516	412,190
Additions	50,252	–	–	50,252
Decommissioning asset	4,840	–	–	4,840
Revisions (note 23)	–	–	–	–
31 December 2021	**466,554**	**212**	**516**	**467,282**
Depreciation and depletion:				
1 January 2020	62,155	61	129	62,345
Charge for the year (note 5,6)	38,495	53	172	38,720
31 December 2020	100,650	114	301	101,065
Charge for the year (note 5,6)	37,048	53	172	37,273
31 December 2021	**137,698**	**167**	**473**	**138,338**
Net book amount:				
31 December 2021	**328,856**	**45**	**43**	**328,944**
31 December 2020	310,812	98	215	311,125
1 January 2020	324,866	151	387	325,404

Other

Depletion charges on oil and gas properties are classified within 'cost of sales'. Depreciation on other elements of property, plant and equipment is provided on a straight-line basis, and taken through general and administration expenses.

Company

The Company has right-of-use assets with a net book amount of £0.04 million as at 31 December 2021 (2020: £0.2 million).

16. Investments

Company – Investment in subsidiaries	Total £000
Cost:	
As at 1 January 2020	105,256
Movement in investment	–
As at 1 January 2021	105,256
Movement in investment	–
As at 31 December 2021	**105,256**
Provision for impairment:	
As at 1 January 2020	–
Impairment reversal for the year	–
As at 1 January 2021	–
Impairment reversal for the year	–
As at 31 December 2021	**–**
Net book amount:	
31 December 2021	**105,256**
31 December 2020	105,256
1 January 2020	105,256

In the Company financial statements, the cost of the investment acquired on an historic reorganisation in 2005 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 £88,088,000 over the nominal value of shares issued (US$7,475,000) was credited to a merger reserve. The merger reserve is adjusted for any write-down in the value of the investment in subsidiary.

16. Investments continued

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 2021	% voting rights and shares held 2020
Serica Holdings UK Ltd	Ordinary	Holding	**100**	100
Serica Energy Holdings BV (i & iii)	Ordinary	Holding	**100**	100
Serica Energy (UK) Ltd (i)	Ordinary	E&P	**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 Sidi Moussa BV (i & iii)	Ordinary	Exploration	**100**	100
Serica Glagah Kambuna BV (i & iii)	Ordinary	Dormant	**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
Serica UK Exploration Ltd (i)	Ordinary	Dormant	**100**	100

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

The registered office of the Company's subsidiaries incorporated in the UK is 48 George Street, London, W1U 7DY.

The registered office of the Company's subsidiaries incorporated in the Netherlands is Hoogoorddreef 15, 1101 BA Amsterdam, The Netherlands.

The registered office of APD Ltd and PDA Asia Ltd is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The registered office of Serica Energy Corporation is P.O. Box 71, Road Town, Tortola, British Virgin Islands.

17. Inventories

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Materials and spare parts	**4,053**	4,633	**–**	–
	4,053	4,633	**–**	–

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. Inventories are recorded net of an obsolescence provision of £2.7 million (2020: £1.6 million).

18. Trade and Other Receivables

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Due within one year:				
Amounts owed by Group undertakings	**–**	–	**161,759**	162,119
Trade receivables	**121,373**	20,172	**–**	–
Amounts recoverable from JV partners	**1,466**	15,665	**–**	–
Other receivables	**426**	60	**131**	–
Prepayments and accrued income	**1,180**	1,176	**–**	82
VAT recoverable	**1,611**	2,456	**120**	90
Liquids underlift	**6,295**	–	**–**	–
	132,351	39,529	**162,010**	162,291

Trade receivables at 31 December 2021 arose from five (2020: five) customers. They are non-interest bearing and are generally on 15 to 30-day terms.

None of the Group's receivables are considered impaired and there are no financial assets past due but not impaired at the year end. The Directors consider the carrying amount of trade and other receivables approximates to their fair value.

Management considers that there are no unreasonable concentrations of credit risk within the Group or Company.

At the reporting date the amounts owed by Group undertakings to the Company are disclosed net of an impairment of £13,231,000 (2020: £13,231,000). These amounts have not been secured, have no maturity and bear no interest.

19. Derivative Financial (Liabilities)/Assets

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Financial liabilities				
Derivative financial instruments	**(45,791)**	(9,691)	**–**	–
	(45,791)	(9,691)	**–**	–

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows: Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities; Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly (i.e. as prices) or indirectly (i.e. derived from prices) observable; Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The valuation methodology for derivative financial instruments is detailed below and for contingent consideration is disclosed in note 22. A table summarising the Group's liabilities measured at fair value is included in note 24.

Derivative financial instruments

The Group enters into derivative financial instruments with various counterparties. No gas put options were held at 31 December 2020 or 31 December 2021. Other derivative financial instruments held at 31 December 2020 and 2021 comprised gas swaps which were valued by counterparties, with the valuations reviewed internally and corroborated with readily available market data of forward gas pricing (level 2). Details of the Group's derivative financial instruments held as at 31 December 2021 are provided in note 24.

Hedging security advances

Hedging security advances of £115.4 million at 31 December 2021 (2020: £1.8 million) represented cash security lodged with commodity hedging counterparties which reflected the very high gas prices at the end of 2021. This will be returned to Serica should forward gas prices fall or when monthly contracts are settled.

19. Derivative Financial (Liabilities)/Assets continued

Gas contract liabilities

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Gas contract liabilities (<1 year)	**(37,505)**	–	**–**	–
Gas contract liabilities (>1 year)	**(987)**	–	**–**	–
	(38,492)	–	**–**	–

In August 2021, Serica restructured certain existing hedging arrangements with one of its hedging counterparties covering swap agreements for the 2022 and 2023 periods through moving these from fixed price swaps to fixed-price forward sales of gas. The new fixed-price instruments (“gas contract liabilities”) were on the same terms (volumes, prices and delivery dates) as the existing swap arrangements that they superseded. The new arrangements have changed from net settled gas swaps to a physically settled gas supply contract. This change is substantive and is therefore considered from an accounting perspective as a cancellation of the financial swaps and the formation of a new agreement including physical forward sales. Consequently, the new arrangements are no longer accounted for at fair value in accordance with IFRS 9 but rather assigned a contract value at inception and accounted for in accordance with IFRS 15 “Revenue from Contracts with Customers”.

The new arrangements do not represent financial instruments within the scope of IFRS 9 as they were entered into and continue to be held for the purpose of the delivery of a non-financial item in accordance with the company’s sale or usage requirements and instead are accounted for under IFRS 15. The gas contract liability value is calculated as the fair value at the point of inception in August 2021 but not then re-measured at the period end.

Consequently, an unrealised hedging loss of £38.5 million, representing the crystallised fair value of the swaps cancelled in August, has been expensed in the income statement (see note 6) with an equivalent gas contract liability created and then retained in the balance sheet as at 31 December 2021. This liability will be released to the income statement and recorded as revenue during 2022 and 2023 when the relevant fixed price volumes are delivered in these periods.

Details of the fixed price instruments that together with gas swaps, comprise the Group’s hedging instruments in place at 31 December 2021, are provided in note 24.

20. Cash and Term Deposits

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Cash at bank and in hand	**102,363**	36,010	**208**	1,217
Short-term deposits	**621**	53,323	**370**	5,861
Cash and cash equivalents	**102,984**	89,333	**578**	7,078

As at 31 December 2021, the cash balance of £103.0 million (2020: £89.3 million) contains an amount of £22.9 million (2020: £12.1 million) held in a restricted account as security against letters of credit issued in respect of certain decommissioning liabilities (£12.9 million) and to cover margining arrangements (£10.0 million). This secured amount was reduced to £12.9 million on 1 January 2021.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods with original maturities of between one day and three months at the date acquired. They are considered to be readily convertible into cash and subject to an insignificant risk of changes in value. The placing of deposits depends on the immediate cash requirements of the Group and they 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.

20. Cash and Term Deposits continued

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/ Moody's credit rating	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Barclays Bank plc	A-1	**16,650**	38,076	**380**	4,121
Lloyds Bank plc	A-1	**76,166**	38,885	**198**	2,957
Investec Bank plc	P-1	**10,124**	12,333	**–**	–

21. Trade and Other Payables

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Current:				
Trade payables	**2,262**	11,237	**100**	246
Other payables	**16,977**	384	**153**	327
Accrued expenses	**14,458**	18,936	**770**	422
UK corporation tax payable (note 11a)	**15,804**	–	**–**	–
Liquids overlift	**–**	564	**–**	–
	49,501	31,121	**1,023**	995

Trade payables are non-interest bearing and are generally on 15 to 30 day terms.

Accrued expenses include accruals for operating and capital expenditure in relation the oil and gas assets. The Directors consider the carrying amount of trade and other payables approximates to their fair value.

Lease liabilities in respect of right of use assets are included within other payables.

22. Financial Liabilities

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
BKR contingent consideration	**131,656**	102,404	**–**	–
	131,656	102,404	**–**	–
Split:				
Current	**93,861**	53,634	**–**	–
Non-current	**37,795**	48,770	**–**	–
	131,656	102,404	**–**	–

BKR consideration

On 30 November 2018 Serica completed the four BKR acquisitions. These comprised:

- 36% in Bruce, 34.83333% in Keith and 50% in Rhum plus operatorship of each field from BP Exploration Operating Company Limited ("BP"). Initial consideration, paid at completion, was £12.8 million with contingent payments of £16 million due in relation to the outcome of future work on the Rhum R3 well and up to a total £23.1 million due in relation to Rhum field performance and sales prices in respect of 2019, 2020 and 2021.
- 42.25% in Bruce and 25% in Keith from Total E&P UK Limited ("Total E&P"). Initial consideration was US$5 million with three further instalments of deferred consideration of US$5 million each due on 31 July 2019, 31 March 2020 and 30 November 2020.
- 16% in Bruce and 31.83333% in Keith from BHP Billiton Petroleum Great Britain Limited ("BHP"). Initial consideration was £1 million.
- 3.75% in Bruce and 8.33334% in Keith from Marubeni Oil and Gas (UK) Limited ("Marubeni"). Initial consideration was US$1 million payable to Serica with no contingent or deferred consideration.

In addition to combined initial, deferred and contingent considerations, Serica pays contingent cash consideration to BP, Total E&P and BHP calculated as a percentage (60% in 2018, 50% in 2019 and 40% in each of 2020 and 2021) of net cash flows resulting from the respective field interests acquired. Serica will also pay deferred contingent consideration equal to 30% of their respective shares of future decommissioning costs, reduced by the tax relief that each of BP, Total E&P and BHP Billiton receives on such costs.

Fair value measurement of BKR contingent consideration

The fair value of the contingent consideration is estimated as at applicable reporting dates from a valuation technique using future expected discounted cash flows. This methodology uses several significant unobservable inputs which are categorised within Level 3 of the fair value hierarchy.

The calculations are complex and involve a range of projections and assumptions related to future operating and development costs, production volumes, oil and gas sales prices, discount rates, estimates of future decommissioning expenditure and taxation.

Consideration due at 31 December 2021 under the Net Cash Flow Sharing Deed and arising from Rhum performance criteria represents final amounts payable in respect of 2021 activity and, unlike in previous years, is not therefore dependent on future forecasts and is not discounted. Other contingent consideration payable has assumed repayment across the other operational timelines that trigger payment of consideration. Estimated contingent consideration payments have been calculated at a discount rate of 10% (2020: 10%).

Given the multiple input variables and judgements used in the calculations, and the inter relationships between changes in these variables, an estimate of a reasonable range of possible outcomes of undiscounted value of the contingent consideration has not been considered feasible. In isolation, the calculations are most sensitive to assumed oil and gas reserves and production profiles and future natural gas prices. Changes in most of the key assumptions noted above would also impact the fair value of assets/liabilities in addition to the contingent consideration.

In calculating the fair value of contingent consideration on the BKR acquisitions payable as at 31 December 2021, assumptions underlying the calculation were updated from 2020. These included updated commodity prices, production profiles, future opex, capex and decommissioning cost estimates, discount rates, proved and probable reserves estimates and risk assessments.

A sensitivity analysis to the discount rate used shows a decrease in the discount rate used from 10% to 9% would result in an increase in the fair value of the contingent consideration by £3.5 million, and an increase from 10% to 11% would result in a decrease in the fair value of the contingent consideration by £3.1 million.

22. Financial Liabilities continued

2021 payments and income statement charge of £110.5 million arising on revaluation of BKR consideration

Short and long-term financial liabilities representing estimated BKR consideration as at 31 December 2020 totalled £102.4 million. During 2021, £81.3 million of BKR contingent consideration was paid comprising £1.0 million of Rhum contingent consideration (paid to BP) and £80.3 million of Net Cash Flow Sharing Deed payments (paid to BP, Total E&P and BHP).

As noted above, the fair value of this financial liability was re-assessed for the 2021 financial period end, with the final estimate of short and long-term liabilities as at 31 December 2021 amounting to £131.7 million (2020: £102.4 million). The overall liability increase of £29.3 million in 2021 comprised cash payments of £81.3 million and a non-cash revision of £110.6 million recorded as a charge in the Income Statement.

The most significant factors behind the upward revision released to the Income Statement are the higher production and realised gas pricing on amounts paid and payable in respect of 2021 Net Cash Flow payments and other elements of contingent consideration.

Reconciliation of movement in BKR consideration

	Total £000
At 31 December 2020	102,404
Payments made in year	(81,277)
Revisions during the year	103,650
Unwinding of discount	6,879
Change in fair value liability	110,529
At 31 December 2021	**131,656**
Classified as:	
Current	93,861
Non-current	37,795
	131,656

23. Provisions

	Erskine consideration £000	Decommissioning provision £000	Total £000
At 1 January 2020	1,848	22,590	24,438
Revisions during the year (note 15)	(846)	(243)	(1,089)
Unwinding of discount (note 10)	–	452	452
At 31 December 2020	1,002	22,799	23,801
Additions	–	4,840	4,840
Revisions during the year (note 15)	–	–	–
Unwinding of discount (note 10)	–	456	456
Payments	(1,002)	–	(1,002)
At 31 December 2021	**–**	**28,095**	**28,095**
Classified as:			
Current	–	–	–
Non-current	–	28,095	28,095
	–	**28,095**	**28,095**

Decommissioning provision

Bruce, Keith and Rhum fields

The Group makes full provision for the future costs of decommissioning its production facilities and pipelines on a discounted basis. With respect to the Bruce, Keith and Rhum fields, the decommissioning provision is based on the Group's contractual obligations of 3.75%, 8.33334% and 0% respectively of the decommissioning liabilities rather than the Group's equity interests acquired. The Group's provision represents the present value of decommissioning costs which are expected to be incurred up to 2032 and assumes no further development of the Group's assets. The liability is discounted at a rate of 2% (2020: 2%) and the unwinding of the discount is classified as a finance cost (see note 10).

Columbus field

Additions during the year relate to the decommissioning provision set up following completion of the Columbus field development work in 2H 2021. The Group makes full provision for the decommissioning liabilities for the Columbus field on its 50% equity interest. The Group's provision represents the present value of decommissioning costs which are expected to be incurred up to 2030 and assumes no further development of the Group's assets. The liability is discounted at a rate of 2% and the unwinding of the discount is classified as a finance cost (see note 10).

Erskine field

No provision for decommissioning liabilities for the Erskine field is recorded as at 31 December 2020 or 2021 as the Group's current estimate for such costs is under the agreed capped level to be funded by BP. This has been fixed at a gross £174.0 million (£31.32 million net to Serica) with this figure adjusted for inflation.

Other

The estimation of costs, inflation and discount rates are considered to be judgemental although changes in single variables are not individually considered to have a significant impact. If the cost estimates were increased by 10% and the spread between inflation and discount rate also increased to 1%, the value of the provisions could increase by c.£5.5 million.

The Group considers the impact of climate change and Net Zero targets, including action that may impose further requirements and costs on companies in the future, on decommissioning provisions, specifically the timing of future cash flows, and has concluded that it does not currently represent a key source of estimation uncertainty. As all of the Group's currently producing assets are projected to cease production by 2030 it is believed that any such future changes would have limited impact compared to assets with longer durations.

23. Provisions continued

Erskine consideration payments

Under the terms of the Erskine acquisition, certain contingent payments were due to be made by Serica related to savings in field operating costs. The payment for these amounts has been capitalised as an oil and gas asset cost (see note 15) and a final settlement of £1.0 million was made in 2021.

Company

The Company has no provisions.

24. Financial Instruments

The Group's financial instruments comprise cash and cash equivalents, bank loans and borrowings, accounts payable and accounts receivable, derivative financial instruments and contingent consideration. 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 given the level of expenditure plans over 2022/23 this is managed in the short-term through selecting treasury deposit periods of one to three 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.
- Serica sells oil, gas and related products only to recognised international oil and gas companies and has no previous history of default or non-payment of trade receivables. 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-£ cash holdings and other financial instruments relating to its operations. The £ 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 2021	Within 1 year £000	1–2 years £000	2–5 years £000	Total £000
Fixed rate				
Short-term deposits	**621**	**–**	**–**	**621**
				621

	Within 1 year £000	1–2 years £000	2–5 years £000	Total £000
Floating rate				
Cash	**102,363**	**–**	**–**	**102,363**
				102,363

Year ended 31 December 2020	Within 1 year £000	1–2 years £000	2–5 years £000	Total £000
Fixed rate				
Short-term deposits	53,323	–	–	53,323
				53,323

	Within 1 year £000	1–2 years £000	2–5 years £000	Total £000
Floating rate				
Cash	36,010	–	–	36,010
				36,010

24. Financial Instruments continued

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 profit before tax (through the impact on fixed rate short-term deposits and applicable bank loans).

Increase/decrease in interest rate	Effect on profit before tax 2021 £000	Effect on profit before tax 2020 £000
+0.75%	**611**	733
-0.75%	**(611)**	(733)

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 2021	Within 1 year £000	1-2 years £000	2-5 years £000	Total £000
Fixed rate				
Short-term deposits	**370**	**–**	**–**	**370**
				370

	Within 1 year £000	1–2 years £000	2–5 years £000	Total £000
Floating rate				
Cash	**208**	**–**	**–**	**208**

Year ended 31 December 2020	Within 1 year £000	1–2 years £000	2–5 years £000	Total £000
Fixed rate				
Short-term deposits	5,861	–	–	5,861
				5,861

	Within 1 year £000	1–2 years £000	2–5 years £000	Total £000
Floating rate				
Cash	1,216	–	–	1,216

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. 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.

In addition, there are credit risks of commercial counterparties including exposures in respect of outstanding receivables. The Group's oil and gas sales are all contracted with well-established oil and gas or energy companies. Also, where Serica operates joint ventures on behalf of partners it seeks to recover the appropriate share of costs from the third-party counterparties. 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. Receivable balances are monitored on an ongoing basis with appropriate follow-up action taken where necessary.

24. Financial Instruments continued

Foreign currency risk

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

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Cash and cash equivalents:				
US Dollar	**11,947**	25,064	**379**	4,302
Norwegian kroner	**5**	6	**–**	–
Euros	**81**	51	**–**	–
Accounts receivable:				
US Dollar	**5,079**	5,468	**21**	17
Trade and other payables:				
US Dollar	**1,470**	2,069	**49**	46

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.

	Effect on profit before tax 2021 £000	Effect on profit before tax 2020 £000
Increase/decrease in foreign exchange rate		
10% strengthening of £ against US$	**(1,556)**	(2,846)
10% weakening of £ against US$	**1,556**	2,846

Liquidity risk

The table below summarises the maturity profile of the Group and Company's financial liabilities at 31 December 2021 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 2021	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	>5 years £000	Total £000
Trade and other payables	**49,501**	**–**	**–**	**–**	**49,501**
Derivative financial liabilities	**29,421**	**16,370**	**–**	**–**	**45,791**

Year ended 31 December 2020	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	>5 years £000	Total £000
Trade and other payables	32,121	–	–	–	32,121
Derivative financial liabilities	6,984	2,707	–	–	9,691

Amounts payable as BKR contingent consideration are explained in detail in note 22. The bulk of contingent consideration due under the BKR acquisition agreements is related to future successful field performance and either paid out as a proportion of cash inflows or dependent on successful performance, with liquidity risk impacted downwards accordingly.

24. Financial Instruments continued

Company Year ended 31 December 2021	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	Total £000
Trade and other payables	**1,022**	**–**	**–**	**1,022**

Year ended 31 December 2020	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	Total £000
Trade and other payables	995	–	–	995

Commodity price risk

The Group is exposed to commodity price risk. Where and when appropriate the Group will put in place suitable hedging arrangements to mitigate the risk of a fall in commodity prices. All gas production is sold at prices linked to the spot market. The significant majority of oil and NGL production was sold at prices linked to the spot market.

At 31 December 2021 Serica held gas price swaps and equivalent fixed price mechanisms covering 350,000 therms per day for H1 2022 and 275,000 therms per day for H2 2022 at average prices of 47 pence per therm and 44 pence per therm respectively. It further held gas price swaps and equivalent fixed price mechanisms covering 150,000 therms per day for H1 2023 and 50,000 therms per day for Q3 2023 at average prices of 49 pence per therm and 41 pence per therm respectively.

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.

The table below details the Group's fair value measurement hierarchy for liabilities as at 31 December:

		Fair value measurement using		
	Note	Quoted prices in active markets Level 1 £'000	Significant observable inputs Level 2 £'000	Significant unobservable inputs Level 3 £'000
Liabilities measured at fair value				
Year ended 31 December 2021				
Derivative financial liabilities – gas swaps	**19**	**–**	**45,791**	**–**
Contingent consideration liability	**22**	**–**	**–**	**131,656**
Year ended 31 December 2020				
Derivative financial liabilities – gas swaps	19	–	9,691	–
Contingent consideration liability	22	–	–	102,404

There were no transfers between Level 1 and Level 2 during 2021.

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, production and development expenditure, and to safeguard the entity's ability to continue as a going concern and create shareholder value. At 31 December 2021, capital employed of the Group amounted to £272.5 million (comprised of £272.5 million of equity shareholders' funds and £nil of borrowings), compared to £199.8 million at 31 December 2020 (comprised of £199.8 million of equity shareholders' funds and £nil of borrowings).

At 31 December 2021, capital employed of the Company amounted to £266.9 (comprised of £266.9 million of equity shareholders' funds and £nil of borrowings), compared to £273.8 million at 31 December 2020 (comprised of £273.8 million of equity shareholders' funds and £nil of borrowings).

25. Equity Share Capital

As at 31 December 2021, the share capital of the Company comprised one "A" share of GB£50,000 and 268,891,043 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 £000	Share premium £000	Total Share capital £000
As at 1 January 2020	267,230,217	21,062	160,323	181,385
Shares issued	579,486	45	176	221
As at 1 January 2021	267,809,703	21,107	160,499	181,606
Shares issued	1,081,341	79	308	387
As at 31 December 2021	**268,891,044**	**21,186**	**160,807**	**181,993**

Allotted, issued and fully paid: Company	Number	Share capital £000	Share premium £000	Total Share capital £000
As at 1 January 2020	267,230,217	21,062	132,624	153,686
Shares issued	579,486	45	176	221
As at 1 January 2021	267,809,703	21,107	132,800	153,907
Shares issued	1,081,341	79	308	387
As at 31 December 2021	**268,891,044**	**21,186**	**133,108**	**154,294**

1,081,341 ordinary shares were issued in 2021 under the Company's Share Incentive Plans. 2,614,470 ordinary shares have been issued in 2022 to date and as at 19 April 2022 the issued voting share capital of the Company was 271,505,513 ordinary shares and one "A" share.

26. Additional Cash Flow Information

Analysis of Group net cash Year ended 31 December 2021	1 January 2021 £000	Cash flow £000	Non-cash movements £000	31 December 2021 £000
Cash	**36,010**	**66,639**	**(286)**	**102,363**
Short-term deposits	**53,323**	**(52,639)**	**(63)**	**621**
	89,333	**14,000**	**(349)**	**102,984**

Year ended 31 December 2020	1 January 2020 £000	Cash flow £000	Non-cash movements £000	31 December 2020 £000
Cash	42,584	(6,282)	(292)	36,010
Short-term deposits	59,241	(5,581)	(337)	53,323
	101,825	(11,863)	(629)	89,333

Analysis of Company net cash Year ended 31 December 2021	1 January 2021 £000	Cash flow £000	Non-cash movements £000	31 December 2021 £000
Cash	**1,217**	**(990)**	**(19)**	**208**
Short-term deposits	**5,861**	**(5,430)**	**(61)**	**370**
	7,078	**(6,420)**	**(80)**	**578**

Year ended 31 December 2020	1 January 2020 £000	Cash flow £000	Non-cash movements £000	31 December 2020 £000
Cash	5,281	(3,963)	(101)	1,217
Short-term deposits	6,067	(125)	(81)	5,861
	11,348	(4,088)	(182)	7,078

27. Share-Based Payments

Share Option Plans

The Company operates three discretionary incentive share option plans: the Serica Energy Plc Long Term Incentive Plan (the "LTIP"), which was adopted by the Board on 20 November 2017 which permits the grant of share-based awards, the 2017 Serica Energy plc Company Share Option Plan ("2017 CSOP"), which was adopted by the Board on 20 November 2017, and the Serica 2005 Option Plan, which was adopted by the Board on 14 November 2005. Awards can no longer be made under the Serica 2005 Option Plan. However, options remain outstanding under the Serica 2005 Option Plan. The LTIP and the 2017 CSOP together are known as the "Discretionary Plans".

The Discretionary Plans will govern all future grants of options by the Company to Directors, officers, key employees and certain consultants of the Group. The Directors intend that the maximum number of ordinary shares which may be utilised pursuant to the Discretionary Plans 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.

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 2005 Option Plan

As at 31 December 2021, 4,100,000 options granted by the Company under the Serica 2005 Option Plan were outstanding. All options awarded under the Serica 2005 Option Plan since November 2009 have a three-year vesting period. When awarding options to Directors, the Remuneration Committee are required to set Performance Conditions in addition to the vesting provisions before vesting can take place. Of the above options, 2,500,000 of these options were granted to Mr Craven Walker in July 2015 at exercise prices higher than the market price at the time of the grant to establish firm performance targets.

No options were granted in 2020 or 2021 under the Serica 2005 Option Plan.

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

Serica 2005 option plan	2021 Number	2021 WAEP £	2020 Number	2020 WAEP £
Outstanding as at 1 January	**4,578,050**	**0.15**	4,578,050	0.15
Exercised during the year	**(478,050)**	**0.22**	–	–
Expired during the year	**–**	**–**	–	–
Outstanding as at 31 December	**4,100,000**	**0.14**	4,578,050	0.15
Exercisable as at 31 December	**4,100,000**	**0.14**	4,578,050	0.15

The weighted average remaining contractual life of options outstanding as at 31 December 2021 is 3.3 years (2020: 4.0 years).

For the Serica 2005 option plan, the exercise price for outstanding options at the 2021 year-end ranges from £0.07 to £0.27 (2020: £0.07 to £0.31).

As at 31 December 2021, the following director and employee share options were outstanding:

Expiry Date	Amount	Exercise cost GB£
January 2023	200,000	54,500
January 2024	300,000	39,000
June 2025	1,100,000	72,600
July 2025	1,000,000	120,000
July 2025	1,000,000	180,000
July 2025	500,000	120,000
Total	**4,100,000**	

27. Share-Based Payments continued

Following the approval of the Company's 3p per share dividend to shareholders in 2020 and 3.5p per share dividend to shareholders in 2021, dividend accrual amount of LTIP scheme interests (nil cost) were granted in relation to the 2005 Option Plan awards that had fully vested. The combined figure of 218,951 dividend accrual LTIP scheme interests were outstanding at 31 December 2021.

Long Term Incentive Plan

The following awards granted to certain Directors and employees under the LTIP (deemed to be granted in November 2017 under IFRS 2) are outstanding as at 31 December 2021.

Director/Employees	Total number of shares granted subject to Deferred Bonus Share Awards
Antony Craven Walker	225,000
Mitch Flegg	225,000
Andrew Bell	138,000
Employees below Board level (in aggregate)	138,000
	726,000

Following the Company's 3p per share dividend to shareholders in 2020 and 3.5p per share dividend to shareholders in 2021, dividend accrual amounts of LTIP scheme interests (nil cost) were granted in relation to the DSA Plan awards that had fully vested. The combined figure of 764,214 initial award and dividend accrual LTIP scheme interests were outstanding at 31 December 2021.

Deferred Bonus Share Awards involve the deferral of bonuses into awards over shares in the Company. They are structured as nil-cost options and may be exercised up until the fifth anniversary of the date of grant. Vesting of the Deferred Bonus Share Awards was the later of the date of completion of the BKR Acquisition and 31 January 2019 and all awards have therefore now vested. They were not subject to performance conditions; however, they were conditional on completion of the BKR Acquisition, subject to the Board determining otherwise.

Director/Employees	Total number of shares granted subject to Performance Share Awards
Antony Craven Walker	1,500,000
Mitch Flegg	1,500,000
Andrew Bell	800,000
Employees below Board level (in aggregate)	1,450,000
	5,250,000

Performance Share Awards have a three-year vesting period and are subject to performance conditions based on average share price growth targets to be measured by reference to dealing days in the period of 90 days ending immediately prior to expiry of a three-year performance starting on the date of grant of a Performance Share Award. Performance Share Awards are structured as nil-cost options and may be exercised up until the tenth anniversary of the date of grant. They were not subject to completion of the BKR Acquisition and are exercisable as at 31 December 2021.

Following the Company's 3p per share dividend to shareholders in 2020 and 3.5p per share dividend to shareholders in 2021, dividend accrual amounts of 276,352 LTIP scheme interests (nil cost) have been granted in relation to the 5,250,000 PSA Plan awards that had fully vested on 30 November 2020. The combined figure of 5,526,352 LTIP scheme interests were outstanding at 31 December 2021.

27. Share-Based Payments continued

LTIP awards in 2019

In Q1 2019, the Company granted nil-cost Performance Share Awards over 3,735,640 ordinary shares and nil-cost Retention Share Awards over 309,415 ordinary shares, a combined total of 4,045,055 ordinary shares under the LTIP. 3,802,452 of the total awards were outstanding at 31 December 2021. The award was made to members of the Group's executive team, senior management and employees. The awards included a total of 1,056,442 ordinary shares for the Executive Directors and persons discharging managerial responsibilities as follows:

Director/PDMR	Total number of shares granted subject to Performance Share Awards
Antony Craven Walker	411,067
Mitch Flegg	411,067
Andrew Bell	234,308
	1,056,442

These awards are subject to vesting criteria based on absolute share price performance over a three-year period and are not exercisable as at 31 December 2021.

LTIP awards in 2020

In May 2020, the Company granted nil-cost Performance Share Awards over 2,669,280 ordinary shares under the LTIP. All of the total awards were outstanding at 31 December 2021. The award was made to members of the Group's executive team, senior management and employees. The awards included a total of 996,678 ordinary shares for the Executive Directors and persons discharging managerial responsibilities as follows:

Director/PDMR	Total number of shares granted subject to Performance Share Awards
Antony Craven Walker	386,100
Mitch Flegg	386,100
Andrew Bell	224,478
	996,678

These awards are subject to vesting criteria based on absolute share price performance over a three-year period and are not exercisable as at 31 December 2021.

LTIP awards in 2021

In May 2021, the Company granted nil-cost Performance Share Awards over 2,725,032 ordinary shares under the LTIP. All of the total awards were outstanding at 31 December 2021. The award was made to members of the Group's executive team, senior management and employees. The awards included a total of 1,480,908 ordinary shares for the Executive Directors and persons discharging managerial responsibilities as follows:

Director/PDMR	Total number of shares granted subject to Performance Share Awards
Antony Craven Walker	587,349
Mitch Flegg	587,349
Andrew Bell	306,210
	1,480,908

These awards are subject to vesting criteria based on absolute share price performance over a three-year period (75%) and on reductions in carbon intensity of production from the BKR assets (25%) and are not exercisable at 31 December 2021.

27. Share-Based Payments continued

Share-based compensation

The Company calculates the value of share-based compensation using a Black-Scholes option pricing model (or other appropriate model for those 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 options granted in 2020 and 2021 were consistently valued in line with the Company's valuation policy. For the options subject to market conditions, assumptions made included a weighted average risk-free interest rate of 2%, no dividend yield, a weighted average expected life of 5 years, and a volatility factor of expected market price of in a range from 55-70%. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The weighted fair value of options granted during the year was £0.71 (2020: £0.67). The estimated fair value of options is amortised to expense over the options' vesting period.

£2,386,000 has been charged to the income statement for the year ended 31 December 2021 (2020: £1,862,000) and a similar amount credited to the share-based payments reserve, classified as 'Other reserve' in the Balance Sheet. The 'Other reserve' was comprised solely of the share-based payment reserve which totaled £22,066,000 as at 31 December 2021 (2020: £19,680,000). A charge of £617,000 (2020: £544,000) of the total charge was in respect of key management personnel (defined in note 8).

28. Leases

In March 2019 the Group entered into a three-year lease at its new registered office, 48 George Street, following the expiry of its previous London office lease at 52 George Street. Initial right-of-use assets and lease liabilities of £516,000 were recognised by the Group during 2019 within property, plant and equipment and other liabilities respectively. A depreciation charge of £172,000 (2020: £172,000) was expensed within administrative expenses. £179,000 (2020: £133,000) of cash payments made against the lease liability during 2021 are reflected in the 2021 Group cash flow statement as a cash outflow in financing activities.

29. Capital Commitments and Contingencies

At 31 December 2021, other amounts contracted for but not provided in the financial statements for the acquisition of exploration and evaluation assets and oil and gas properties, other than the commitments set out below, amounted to £nil for the Group and £nil for the Company (2020: £nil and £nil respectively).

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.

BKR commitments

There are no significant existing capital commitments on the BKR producing fields outstanding at 31 December 2021, however on the Bruce and Keith fields plans are in hand to conduct well work at an estimated costs of £15 million designed to enhance current production profiles and extend field life. Net revenues from Serica's share of income from the fields, are expected to cover Serica's retained share of ongoing field expenditures and deferred or contingent consideration due under the respective acquisition agreements. These include £16 million due to BP upon a successful outcome from the Rhum R3 workover, and further amounts totalling of £15 million due to BP in respect of certain Rhum field production and gas price levels in the 2019-2021 period. Further deferred contingent consideration amounts will fall due to each of BP, Total E&P and BHP representing 30% of their retained share of the actual costs of decommissioning the BKR field facilities in existence at completion net of tax relief.

Serica has posted cash collateral of approximately £12.9 million under BKR decommissioning security arrangements, related to the interests acquired from Marubeni in support to the issue of letters of credit required. This secured amount is within the Group's cash balances of £103.0 million as at 31 December 2021. The funds are freely transferable but alternative collateral would need to be put in place to replace the cash security.

Other commitments

The Group's only significant exploration commitment is the drilling of a well on the North Eigg prospect to be drilled in Q3 2022 at an estimated cost of £45 million. Other less material minimum obligations include G&G, seismic work and ongoing licence fees in the UK.

Other

The Group occasionally has to provide security for a proportion of its future obligations to defined work programmes or other commitments.

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.

30. Related Party Transactions and Transactions with Directors

There are no related party transactions, or transactions with Directors that require disclosure except for the remuneration items disclosed in the Directors Report and note 8 above. The disclosures in note 8 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.

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 the appropriate rate)
BKR	Bruce, Keith and Rhum fields
BPEOC	BP Exploration Operating Company
CGU	Cash generating unit
CPR	Competent Persons Report
ESG	Environmental, Social and Governance
FDP	Field Development Plan
FPS	Forties Pipeline System
GRI	Global Reporting Index (framework for sustainability reporting)
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
NGLs	Natural gas liquids extracted from gas streams
NTS	National Transmission System
OGA	Oil and Gas Authority
Overlift	Volumes of oil or NGLs sold in excess of volumes produced
Underlift	Volumes of oil or NGLs produced but not yet sold
P10	A high estimate that there should be at least a 10% probability that the quantities recovered will actually equal or exceed the estimate
P50	A best estimate that there should be at least a 50% probability that the quantities recovered will actually equal or exceed the estimate
P90	A low estimate that there should be at least a 90% probability that the quantities recovered will actually equal or exceed the estimate
Pigging	A process of pipeline cleaning and maintenance which involves the use of devices called pigs
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 revised June 2018 Petroleum Resources Management System (PRMS) version 1.01
SASB	Sustainability accounting standards board
Tcf	trillion standard cubic feet
TCFD	Taskforce on Climate-related Financial Disclosures
UKCS	United Kingdom Continental Shelf
UNSDG	United Nations Sustainable Development Goals

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