Thursday 29 March 2007

SERICA ENERGY PLC ("Serica" or "The Company")

2006 FULL YEAR RESULTS

Serica today announces its 2006 full year results. A summary of these results is included below, and the full 2006 results and management summary are available at www.serica-energy.com and www.sedar.com.

2006 Operating Highlights

During 2006, Serica:

- Drilled two North Sea exploration wells, both discovering natural gas.
- Added 8.4 million barrels of oil equivalent ("boe"), on a most likely basis, to its contingent hydrocarbon resources as a result of the Serica operated North Sea Columbus discovery, a new potentially commercial gas-condensate field.
- Booked probable reserves of 12.6 million boe in respect of its Kambuna gas-condensate field development in Indonesia.
- Increased its acreage portfolio significantly with the award of prospective new licence blocks in the UK, Norway, Indonesia, Ireland and Vietnam.

2006 Financial Highlights

Following the 2006 sale of its interest in the Lematang Block, Serica currently has no income from producing operations. During the year, the Company:

- Spent a net US$25.9 million on exploration activities, including pre-application costs and overhead, resulting in the addition of new hydrocarbon resources at a cost of US$3.08 per boe.
- Acquired an additional 10% interest in the Glagah-Kambuna Block in Indonesia for US$4.5 million.
- Disposed of its 10% interest in the producing Lematang Block in Indonesia for US$5 million, booking a profit of US$2.3 million.
- Generated a loss of US$14.4 million as the result of write-downs of exploration costs (a loss of US$0.10 per share against a prior year restated loss of US$0.13 per share).
- Net current assets of US$84.4 million at 31 December 2006.

2007 Forward Programme

Serica has a significant forward investment programme. In 2007, Serica's plans include:

- Drilling one vertical well and one horizontal well to appraise its North Sea Columbus gas-condensate discovery with the possibility of production in 2009.

- Drilling a development well in its Kambuna gas-condensate field in Indonesia and pressing forward with Phase I of the field development, targeting production start-up for 2008.

- Drilling an appraisal well to test a possible north-west extension to the Kambuna field.

- Drilling two exploration wells in its Biliton Block in Indonesia, the costs of which are largely carried by a farminee.

- Drilling two exploration/appraisal wells in the Asahan PSC in Indonesia to identify further gas resources if Indonesian government approval is forthcoming.

- Commencing exploration work on licence blocks adjacent to the Columbus discovery to appraise its upside potential.

- Commencing exploration work on licence blocks awarded in Ireland and Norway, including preparations for a 2008 appraisal well to evaluate the Bream discovery in Norway.

- Commencing work on new production sharing contracts awarded in Indonesia and Vietnam.

Serica has contracted the SEDCO 704 drilling rig in the North Sea and the Seadrill 5 drilling rig in Indonesia to achieve this programme.

Tony Craven Walker, Non-Executive Chairman, commented:
"In 2006, with the Columbus Field discovery, Serica has established its ability both to add shareholder value through the drill-bit and to manage operational and financial risk through farm-outs and asset swaps. The management's strong operational expertise is also fully demonstrated by the quality of the licence awards achieved by Serica.

2007 will see extensive exploration, appraisal and development programmes across the Company's diversified portfolio, as we move towards our objective of achieving first production in 2008."
29 March 2007

Background Notes

Serica Energy plc is an international oil and gas exploration company with operations in the UK, Norway, Spain, Ireland, Indonesia and Vietnam.

The Company's ordinary shares are listed in London on AIM and on the Canadian TSX Venture Exchange under the symbol "SQZ". The 2006 Annual Report and Accounts can be obtained from the Company's web-site www.serica-energy.com and at www.sedar.com.

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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 there from.

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

To receive Company news releases via email, please contact heather@chfir.com and specify "Serica press releases" in the subject line.

CHAIRMAN'S STATEMENT

Dear Shareholder

Serica started 2006 with a clear forward programme. Our objectives were to demonstrate early drilling success on existing prospects and to increase our opportunities in both the North Sea and South East Asia with the addition of new prospective acreage.

I am delighted to report that success was achieved on both fronts. In the North Sea, the positive outcome of the Columbus well has more than confirmed the value and potential of our blocks and has resulted in the discovery of a significant new gas-condensate field at a time when UK gas production is declining.

We were also rewarded in our applications for new acreage. Our portfolio increased considerably over the year with the addition of new blocks in Ireland, Norway, the UK, Vietnam and Indonesia. The Norwegian award is particularly encouraging since, in addition to being highly prospective, it includes a 20% interest in the undeveloped Bream oil discovery which we believe is already sufficiently well defined to warrant early appraisal and possible development.

At Serica, we are very conscious of the need to manage risk and maintain a balance in our portfolio, not only to take account of the large geological and technical risks inherent in our business, but also to be aware of our exposure to different operating regimes and how this might change as our business develops. Serica has a significant business in South East Asia but our drilling success in the North Sea and the addition to our portfolio of new offshore blocks in the UK and Norway over the course of the past year have materially increased the value and importance of the North Sea to the Company. We now have a very attractive position, with fields under appraisal or development in each of our two core areas, and a highly prospective acreage portfolio.

In parallel with our exploration programme we aim to build up our production base. As discussed in the Chief Executive Officer's Report the development of the Kambuna field in Indonesia has encountered some delay but we still expect production to commence in 2008. In the North Sea we are now hopeful that successful appraisal of Columbus this year will enable us to bring forward an early North Sea development to add to our forward production profile.

Serica's progress in 2006 has been largely due to the skill and commitment of the Serica team and illustrates the considerable experience and expertise which we now have in the Company. I and my co-directors are appreciative of the efforts that they have made. At director level, Chris Atkinson stood down at the end of the year in order to be able to spend more time on exploration and is now acting as Exploration Advisor to the Board. The Company's exploration achievements, particularly in South East Asia, owe much to Chris's expertise and his contribution in bringing the Company to this point has been immeasurable.

In addition, Jim Steel, having helped the Company considerably during its early start-up years has also decided to retire as a non-executive director during the course of this year and it is our intention to add two new non-executives to the Board to assist the Company through the next stage of its development. We are extremely grateful and appreciative to Jim for the contribution that he has made to the Company.

In summary, 2006 was a year in which Serica has been able to demonstrate its ability to add shareholder value. We are now the operator of a field in the North Sea, Columbus, as well as the Kambuna field in Indonesia and have a highly prospective acreage bank to explore. Our success in the North Sea makes us very much a leading North Sea player amongst the junior companies and complements our growing South East Asia business. 2007 will bring its challenges but I believe that Serica is in a strong position to build on the foundations we have laid in 2006. With drilling and development planned for both the UK and Indonesia we have an active and exciting year ahead of us.

Tony Craven Walker
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to report that much progress has been made in 2006 towards establishing Serica as a leading independent oil and gas exploration company. During the course of the year the Company considerably expanded its acreage portfolio, resulting in a substantial improvement in the balance of our holdings and diversification into new but geographically and technically related areas. We have built a technical team that has demonstrated, through the successful outcome to our UK drilling programme and the award of several attractive new licence blocks, real ability and expertise. This has all been achieved against the background of a very competitive market for staff, drilling rigs and offshore services.

The major highlight for the year was the Columbus discovery in North Sea Block 23/16f which tested gas at a rate of 17.5 million scfd plus 1,000 bopd of condensate. This is a significant discovery and is likely to bring considerable value to the Company. The field appears to extend into Block 23/21 to the south, operated by BG International Limited ("BG"), and a farm-out and acreage exchange with BG has enabled Serica both to reduce its well costs and to have a 25% interest in both the northern and southern parts of the field. Serica is the operator of Block 23/16f and is in discussions with partners on the most appropriate appraisal programme, planned to commence this summer, for which Serica has secured the SEDCO 704 drilling rig. The field lies close to existing infrastructure and is likely to be developed by subsea tie-back, without the need for a supporting offshore platform.

In addition to Columbus, the Oak well drilled by Serica in North Sea Block 54/1b also flowed hydrocarbon gas on test. During the test, the well flared at a rate of 10 million scfd. However, later analysis indicates that the gas contains a material proportion of inert components and, as a result, the discovery is unlikely to be commercial. These were Serica's first wells in the North Sea and the fact that they were drilled and tested efficiently in severe winter weather conditions speaks volumes for the ability of Serica's operations team.

During the year our applications for new licences were extremely successful. We were awarded interests in three new offshore licences in the UK, two licences offshore Norway, one offshore Ireland, a PSC offshore Vietnam and a PSC in the prolific Kutai Basin of East Kalimantan, Indonesia, straddling offshore and onshore acreage. All of this new acreage lies close to, or contains, existing discoveries. In Norway the Company was subject to an extensive qualification process with the Norwegian authorities to demonstrate technical and financial ability. The result was the award of two highly contested blocks, one of which contains the undeveloped Bream oil discovery.

Our bidding strategy in each case has been very focussed, with applications only being made for a very limited number of targeted blocks. It is extremely gratifying that we were awarded such a high percentage of the blocks for which we submitted applications during the year. With the exception of the awards in Norway and Vietnam, Serica is the operator of each of the blocks awarded, enabling us to continue to manage the exploration phase of our licences.

In Indonesia, severe rig shortages, coupled with delays in the approval of our Plan of Development, meant that we were not able to commence drilling operations to test the small Tanjung Perling gas field, slated for possible development in the Asahan Offshore PSC, or to drill additional prospects in the block, prior to the end of the Exploration Period of the PSC in December 2006. As a result we are now in discussions with the Indonesian authorities to agree an appropriate way forward to enable operations to continue into the second phase of the Asahan Offshore PSC. In view of the uncertainty of the outcome of these discussions we are expensing the costs which are associated with the PSC in this year's financial statements. These largely relate to the Togar 1A well drilled in 2005 which we announced at the time as a non-commercial gas discovery and which we are therefore unlikely to wish to retain in any forward programme.

On the Kambuna gas-condensate field in the neighbouring Glagah Kambuna TAC, a delay in the arrival of the vessel to acquire the 3D seismic survey, necessary for full delineation of the field, contributed to slippage in the field development programme. Preliminary interpretation of the 3D survey has indicated that the field consists of two separate accumulations, the second of which still requires appraisal before reserves can be included. This has necessitated a revision to the Kambuna development plan to accommodate full appraisal of the north-western extension. We now plan to develop the field in two phases with production from the field scheduled to commence in the second half of 2008.

At the turn of the year, RPS Energy plc ("RPS") was commissioned by the Company to review Serica's hydrocarbon resources following the drilling of the Columbus well. It is our policy not to book hydrocarbon resources as proven reserves until we have sanctioned a development plan and, in cases where there is not an existing defined gas market, until we have signed a Heads of Agreement for gas sales with a purchaser. The RPS report has classified the Kambuna field as probable reserves and estimates that the gross probable reserves of the field are 25.7 million boe, of which the Company's net entitlement is 12.6 million boe. This excludes any additional resources that could result from a successful test of the north-west extension.

RPS has also estimated that, on a most likely basis, the Columbus discovery has added 8.4 million boe to Serica's contingent hydrocarbon resources, based on Serica's 25% interests in Block 23/16f and part of Block 23/21. Clearly this early estimate will have to be borne out by appraisal drilling planned for this year but reserves of this size in the North Sea are very commercial. The addition of the Bream oil discovery through our recent Norwegian licence award also provides further opportunity for us to increase our reserve base. With negotiations at an advanced stage for the sale of Kambuna gas, appraisal drilling scheduled for Columbus, work expected to start on Bream and consideration being given to drilling a second well on Chablis, we have a high expectation of being able to move more contingent resources into the category of proven and probable hydrocarbon reserves this year.

2006 was a rewarding year for Serica; one in which we saw the Company add real value and achieve many of the targets that we set at the beginning of the year. It is our objective this year to demonstrate the potential of the Columbus area, including the evaluation of options for early production, as well as completing the appraisal of the Kambuna field and moving the Kambuna development forward. Our exploration efforts will be focused on the potential of the new blocks that we have been awarded and of the surrounding areas.

We are mindful of the fact that, although we are adding value through drilling success, we have no immediate income from which to fund our future growth. We are therefore very conscious of the need to conserve our cash resources and will continue to seek partners for those projects where we consider that the financial exposure is too great for Serica notwithstanding the upside potential of the project. We are fortunate to have high percentage interests in, and to be the operator of, most of our licences, which gives us a considerable advantage in attracting partners whilst still retaining a level of participation that would have a material impact on Serica in the case of success.

This was demonstrated in 2006 with the financial contributions received through farm-out of both the Oak and Columbus prospects. More recently, we have announced the successful farm-out of our interest in the Biliton block in Indonesia, thereby reducing the risk of drilling in this frontier area whilst still retaining a high exposure to a successful outcome. We aim to continue this strategy in 2007 but will also be keeping a watching brief on other opportunities to improve the potential for shareholder return which we expect to arise during the year.

Paul Ellis
Chief Executive Officer

REVIEW OF OPERATIONS – OVERVIEW

Serica holds exploration, appraisal and development interests in some of the major oil and gas provinces of Western Europe and South East Asia. In Europe, the Company has licences in the UK North Sea, the East Irish Sea, Norway, Ireland and Spain. In South East Asia, Serica has production sharing contracts in Indonesia and Vietnam.

In 2006 Serica continued its run of drilling success with two discovery wells in the UK North Sea on blocks operated by the Company. One of these wells was the Columbus gas-condensate discovery, drilled in December in a block that Serica operates and that had been awarded only twelve months earlier. An independent assessment has estimated that the Columbus field has most likely contingent hydrocarbon resources of 33.5 million boe. Serica intends to commence Columbus appraisal drilling in the summer of 2007.

As a result of applications made during 2006, the Company was awarded offshore exploration licences in the UK, Ireland, Norway, Indonesia and Vietnam. Serica's entry into Norway resulted in the award of a 20% interest in two highly sought after blocks, one of which contains an undeveloped oil discovery, Bream, with gross oil in place estimated by the Company to be in the range of 250 to 400 million barrels, of which 40 to 100 million barrels may be recoverable.

Shortages of equipment, particularly seismic acquisition boats and drilling rigs, continue to affect the Company's ability to carry out its work programmes. Despite these issues, Serica carried out a 3D seismic survey in Indonesia and drilled two wells in the UK North Sea during the year and has contracted drilling rigs to meet its drilling programme for 2007.

REVIEW OF OPERATIONS - WESTERN EUROPE

United Kingdom

In Western Europe Serica holds offshore licence interests in the UK North Sea and East Irish Sea, in Ireland and Norway and has onshore licence interests in Spain.

The following table summarises the Company's interests in Western Europe.

Block(s)	**Description**	**Role**	**%**	**Location**
UK				
14/15a	Exploration	Operator	50%	Central North Sea
23/16e	Exploration	Operator	50%	Central North Sea
23/16f *	Columbus appraisal	Operator	25%	Central North Sea
23/16g	Exploration	Operator	50%	Central North Sea
23/21 (part) *	Columbus appraisal	Partner	25%	Central North Sea
23/17b	Exploration	Operator	50%	Central North Sea
48/16b	Chablis appraisal	Operator	100%	Southern Gas basin
48/17d	Chablis appraisal	Operator	100%	Southern Gas basin
54/1b	Oak discovery	Operator	50%	Southern Gas basin
113/26b	Exploration	Operator	100%	East Irish Sea
113/27b (part)	Exploration	Operator	100%	East Irish Sea
Ireland				
27/4	Exploration	Operator	100%	Slyne Basin
27/5 (part)	Exploration	Operator	100%	Slyne Basin
27/9	Exploration	Operator	100%	Slyne Basin
Norway				
407	Bream appraisal	Partner	20%	Egersund Basin
406	Exploration	Partner	20%	Egersund Basin
Spain				
Abiego	Exploration	Operator	100%	Pyrenees/Ebro Basin
Barbastro	Exploration	Operator	100%	Pyrenees/Ebro Basin
Binéfar	Exploration	Operator	100%	Pyrenees/Ebro Basin
Peraltilla	Exploration	Operator	100%	Pyrenees/Ebro Basin

* Percentage interests are subject to completion of the transaction with BG under which Serica will reduce its 50% interest in Block 23/16f to 25% in exchange for a 25% interest in part Block 23/21.

Block 14/15a

This block covers an area of approximately 108 square kilometres in the Central North Sea. Serica is the block operator and has a 50% interest. Several leads have been identified at Upper Jurassic, Lower Cretaceous and Paleocene levels within this prospective part of the Outer Moray Firth Basin. The work programme in 2007 includes the reprocessing of available 3D seismic data with the objective of confirming the identified leads and defining prospects that are ready for drilling.

Columbus Discovery Area - Blocks 23/16e, 23/16f, 23/16g, 23/17b and 23/21(part)

These blocks cover an area of approximately 214 square kilometres in the Central North Sea. Serica holds interests of 25% or 50% in each of these blocks and is the operator of each block except for Block 23/21. Block 23/16g was recently awarded to Serica in the UK 24th Offshore Licensing Round.

The blocks are contiguous and form part of Serica's strategy to exploit its detailed knowledge of modern 3D seismic processing techniques, particularly in the Tertiary reservoirs of the Central North Sea, with the aim of increasing the chances of exploration success.

In furtherance of this strategy, in October 2006 a well was drilled to test the Columbus prospect in Block 23/16f. Well 23/16f-11 reached a final depth of 10,116 feet subsea and encountered a gross gas column of 125 feet in the Paleocene Forties sands. A total of 85 feet of the reservoir was tested and the stabilised average production rates on a 56/64 inch choke during a five hour flow period were 17.5 million scfd and 1,060 bopd of 47.5 degrees API condensate. The wellhead flowing pressure was 1,200 pounds per square inch and the inert gas content was less than 2%.

Prior to drilling Columbus, Serica established that the prospect extended into the adjacent Block 23/21 in which, at that time, Serica held no interest. Consequently, Serica invited the operator of Block 23/21, BG International Limited ("BG"), to enter into a farm-in and cross-assignment under which Serica exchanged a 25% interest in Block 23/16f for a 25% interest in part of Block 23/21 (excluding the Lomond field) and BG contributed to the costs of the 23/16f-11 well. This transaction will enable the field to be appraised and developed far more expeditiously than if there had been no common interests between the two blocks.

On a most likely basis, an independent engineer's report on Columbus attributes contingent hydrocarbon resources net to Serica of 8.4 million boe, based on Serica's 25% interests in Block 23/16f and part of Block 23/21.

Serica plans to drill a vertical well to appraise the Columbus discovery in the summer of 2007 and expects to follow this up with a horizontal well in order to obtain representative production rate data for development planning. Depending upon the results achieved, the horizontal well will be completed for use as a production well. Serica has secured the SEDCO 704 semi-submersible drilling rig for Columbus appraisal drilling, commencing in July/August 2007.

The Columbus field lies in close proximity to existing production infrastructure, providing the potential to commence production as soon as throughput agreements have been reached and the development wells can be tied-in. Serica is currently studying development options for the Columbus field including a possible tie-in to the producing Lomond gas-condensate field, which lies about six kilometres from the Columbus discovery well.

Chablis Discovery Area - Blocks 48/16b and 48/17d

These contiguous blocks cover a total area of 88 square kilometres in the Southern North Sea. Serica is the operator and holds an interest of 100% in both blocks. Block 48/16b contains the undeveloped Chablis discovery, drilled in 2001 by ConocoPhillips. Block 48/17b was awarded to Serica in the UK 24th Offshore Licensing Round and may potentially contain part of the Chablis accumulation. During 2006 Serica relinquished Blocks 47/20b and 48/16a as no prospects of material size had been identified in these blocks.

There are several environmental and technical issues surrounding the appraisal and potential development of the Chablis field that need to be addressed prior to drilling and a comprehensive feasibility report has therefore been commissioned that is due to be completed early in 2007.

Oak Discovery – Block 54/1b

Block 54/1b covers an area of 106 square kilometres in the Southern Gas Basin. Serica is operator of the block and holds a 50% interest.

Prior to drilling the 54/1b-6 exploration well to test the Oak prospect, Serica farmed out half of its original 100% interest to Centrica Resources Limited ('Centrica') in order to reduce Serica's cost and risk. Under the terms of the farm-out agreement, Serica's dry-hole risk relating to the well was largely borne by Centrica.

Serica commenced drilling well 54/1b-6 in October 2006 and the well reached its final depth of 8,318 feet subsea in November. A gas-bearing Leman sandstone reservoir with a gross gas column of 113 feet was encountered and a production test was carried out on an interval of 80 feet. A stabilised gas flow rate of approximately 10 million scfd was recorded on a 44/64 inch choke. However, subsequent laboratory analysis of gas samples taken during the test indicates that a significant proportion of the gas is made up of inert components and the Company now feels that it is unlikely that the Oak discovery can be produced commercially in the foreseeable future.

East Irish Sea - Blocks 113/26b and 113/27b (part)

Serica was awarded these blocks in the UK 24th Offshore Licensing Round. The blocks cover an area of 145 square kilometres and lie immediately to the north of the Millom field and within 10 kilometres of the Morecambe field – the UK's largest gas field. Serica has identified a number of leads on these blocks and will be reprocessing the 3D seismic data in order to define prospects for drilling. The prospective reservoir is the Sherwood Sandstone of Triassic age that is also the producing reservoir in the Morecambe field.

Ireland – Blocks 27/4, 27/5 (part) and 27/9

In the 2006 Irish Offshore Licensing Round, Serica was awarded Licence PEL 01/6 containing Blocks 27/4, 27/5 (part) and 27/9 which cover an area of 611 square kilometres in the Slyne Basin off the west coast of Ireland. Serica is operator and holds a 100% interest in the Licence.

The blocks are covered by existing modern 3D seismic data and Serica will be reprocessing this data to assess the prospectivity of the blocks. Prospects have been identified by Serica in the Triassic sands that have proven to be gas bearing and productive in the Corrib gas field, which lies about 40 kilometres to the north and is currently under development by Shell. When Serica's technical evaluation of the 3D seismic data is complete, a decision to drill an exploration well will be considered.

Norway – Licence 407 and Licence 406

Serica was awarded a 20% interest in both of these offshore licences in Norway's 2006 Awards in Predefined Areas ('APA') Licence Round. The licences are contiguous and lie in the Egersund Basin, about 120 kilometres southwest of the port of Stavanger, Norway's fourth largest city.

The southern licence, Licence 406, covers an area of approximately 900 square kilometres comprising parts of licence blocks 8/3, 9/1, 17/12, 18/10 and 18/11 and includes the 18/10-1 oil discovery well drilled in 1980, which was tested at 1,800 bopd. The licence contains exploration prospects that appear analogous to the Bream field in Licence 407.

The northern licence, Licence 407, covers an area of approximately 725 square kilometres comprising parts of licence blocks 17/8, 17/9, 17/11, 17/12, 18/7 and 18/10. It includes the 1972 Bream oil discovery and the 1973 Brisling oil discovery, which were tested at rates up to 1,000 bopd and 2,200 bopd respectively. These discoveries remain undeveloped since they were not considered to be commercial at the time and the area has not been open for licensing for many years.

Serica has carried out an analysis of recently acquired 3D seismic data covering the Bream discovery and estimates that, using modern drilling and completion technology, including horizontal production wells, the potentially recoverable oil reserves of the Bream field may lie within a range of 40 to 100 million barrels, based on an oil in place estimate of 250 to 400 million barrels.

Serica expects a Bream appraisal well to be drilled in Licence 407 early in 2008 with a view to submitting a development plan to the Norwegian authorities by the end of that year.

Spain

The Company holds a 100% interest in the Abiego, Barbastro, Binéfar and Peraltilla exploration Permits onshore northern Spain, approximately 40 kilometres southeast of the Serrablo gas field. The Permits cover an area of approximately 1,100 square kilometres between the Ebro Basin and the Pyrenees and could potentially contain significant quantities of gas, which would find a ready market in Spain.

An initial evaluation of the four Permits has been completed and it has been concluded that additional 2D seismic data will need to be acquired in order to delineate prospects for drilling. Serica intends to carry out a short seismic acquisition test programme early in 2007 in order to determine the acquisition parameters for a full survey. It is the Company's intention to seek a partner to participate in the exploration of the Permits.

REVIEW OF OPERATIONS – SOUTH EAST ASIA

In South East Asia, Serica holds interests in Indonesia and in Vietnam.

The following table summarises the Company's interests in South East Asia. Percentage interests shown assume the completion of certain farm-out and acquisition agreements which await final government approval.

Block(s)	**Description**	**Role**	**%**	**Location**
Indonesia				
Glagah Kambuna TAC	Kambuna development	Operator	65%	Offshore North Sumatra
Asahan Offshore PSC *	Tanjung Perling appraisal	Operator	55%	Offshore North Sumatra
Biliton PSC	Exploration	Operator	45%	Offshore Java Sea
Kutai PSC	Exploration	Operator	52.5%	Kutai basin
Vietnam				
Block 06/94	Exploration	Partner	33.3%	Nam Con Son Basin

* Serica's interest in the Asahan Offshore PSC is subject to the successful conclusion of current negotiations with the Indonesian authorities regarding the commerciality of the PSC.

Glagah Kambuna

The Glagah Kambuna Technical Assistance Contract ("TAC") covers an area of approximately 380 square kilometres and lies offshore North Sumatra adjacent to the Asahan Offshore PSC. Serica has a 65% working interest and operates the TAC.

The TAC contains the undeveloped Glagah #1 and Kambuna #1 discovery wells and a successful appraisal well drilled by Serica in 2005, Kambuna #2. Serica is progressing the development of the gas-condensate bearing Upper Belumai Sand reservoir of the Kambuna field and a Plan of Development was approved by the state oil and gas company Pertamina in 2006. Acquisition of the 430 square kilometres 3D survey over the Kambuna field and parts of the Asahan Offshore PSC was not completed until the end of the year due to the late arrival of the seismic survey vessel. Final processing is now underway and should be completed in the second quarter of 2007.

Interpretation by Serica of the preliminary fast-track processing of the 3D seismic data indicates that some of the field gas and liquid contingent resources, identified by consultants Gaffney Cline & Associates in 2005, may lie within a Lower Belumai Sand reservoir just to the north-west of the main area of the Kambuna field. This upside would be classified as prospective resources since no well has yet been drilled in what may prove be a separate accumulation. Serica's interpretation has, to a large extent, been confirmed by an independent report on the Kambuna field commissioned from consultants RPS Energy plc ("RPS") and has resulted in a revision to the field development plan to enable the north-west area to be appraised and the field to be developed in two phases, with the first phase scheduled to commence production in late 2008.

The RPS report estimates that the gross probable reserves of the main area of the Kambuna field are 25.7 million boe. Serica has secured the Seadrill 5 drilling rig to carry out appraisal and development drilling in the third or fourth quarter of 2007 and is now progressing the final front-end engineering design studies. Gas and liquid sales negotiations are proceeding with several interested parties, including Pertamina, the state oil and gas company, which operates a refinery and gas liquids plant in the area.

Asahan Offshore

The Asahan Offshore Production Sharing Contract ("PSC"), offshore North Sumatra, lies immediately adjacent to the Glagah Kambuna TAC. Serica has a 55% interest and is the operator of the PSC.

In 2006, Serica submitted a Plan of Development for the Tanjung Perling gas field, which lies in the south of the PSC. The aim was to develop the field in conjunction with the Kambuna field and thereby achieve economies of scale. However, the Indonesian Executive Agency for Upstream Oil and Gas Business, BPMigas, requested additional data in support of the development plan. That data could only be obtained by drilling a new well in the field and, with no drilling rigs active in the area, this could not be achieved prior to the end of the exploration period on 16th December 2006.

Operations in the PSC have therefore been suspended while negotiations with the Indonesian authorities continue regarding the commerciality of the PSC and its consequent continuation into the 20 year exploitation period. Assuming a successful outcome to these negotiations, Serica intends to carry out a drilling programme in the second half of 2007 using the Seadrill 5 rig.

Biliton

The Biliton PSC covers an original area of approximately 3,940 square kilometres in the Java Sea between the Indonesian islands of Java and Kalimantan. Serica, which operates the PSC, is presently negotiating the area to be relinquished under the terms of the PSC. The prospective parts of the PSC will be retained by Serica within the retained area.

Serica has recently entered into a farm-out agreement under the terms of which Nations Petroleum will earn a 45% interest in the Biliton PSC by paying a contribution to Serica's back costs and bearing the majority of the costs of drilling two wells in the PSC in 2007. Following the completion of this agreement, Serica will have a retained 45% interest in the PSC.

The Biliton PSC lies in a virtually unexplored Indonesian basin with many of the characteristics of analogous basins nearby that have to date produced substantial volumes of oil and gas. Only one exploration well has been drilled in the area, the Parang-G1 well drilled by Ashland Petroleum in 1974. Although this well did not find reserves of oil or gas it did encounter oil shows. In 1990, British Petroleum carried out a seabed survey that indicated the presence of nine oil seeps within the current block boundary. Both the shows in the well and the seep information demonstrate that hydrocarbons have been generated within the area.

Serica has acquired a total of approximately 4,500 line kilometres of 2D seismic data in the PSC and has identified several large prospects that could be oil-bearing. Drilling locations in the Biliton PSC have been selected and two exploration wells will be drilled in the second quarter of 2007 using the Seadrill 5 rig.

Kutai

In December 2006, Serica was awarded the Kutai PSC, which covers an area of approximately 4,700 square kilometres within the prolific Kutai Basin of East Kalimantan. Serica is the operator and holds a 52.5% interest in the PSC.

The PSC is divided into several blocks, the majority of which are first phase relinquishments by the current main operators in the basin, Total, Chevron and VICO. The PSC lies in and around several giant fields, including Tunu (1,600 million boe) and Attaka (800 million boe), in the prolific Mahakam River delta both onshore and offshore. The adjacent major fields on the shelf were mainly discovered in the late 1960s and 1970s. To date the area has produced over two billion barrels of oil and 20 trillion cubic feet of gas and is currently providing over four bcf of gas per day to the Bontang LNG facility.

Serica will be acquiring new seismic data to augment the existing 2D and 3D seismic data set, in order to assess the prospectivity of the block and determine drilling locations.

Vietnam – Block 06/94

In July 2006, Serica was awarded Block 06/94, in the Nam Con Son Basin offshore South Vietnam. The block covers an area of approximately 4,100 square kilometres. Serica has a 33.33% interest in the block, which is operated by Pearl Energy.

The block lies approximately 350 kilometres offshore and is the part of Block 06/1 which British Petroleum was contractually obliged to relinquish in 1994 after discovering the major Lan Tay and Lan Do gas fields. These fields commenced production in 2002, following the construction of a new gas and liquids pipeline to the Vietnamese mainland.

Block 06/94 is the Company's first expansion of its interests in Southeast Asia outside Indonesia. In December 2006, the operator of the adjacent Block 12/E, Premier Oil, announced that its "Blackbird" discovery well had been tested at a combined 5,900 bopd from two sands. Serica expects to be able to identify both oil and gas prospects within Block 06/94.

GLOSSARY

bcf	billion standard cubic feet
boe	barrels of oil equivalent (barrels of oil, condensate and LPG plus the heating equivalent of gas converted into barrels at a rate of 6,000 standard cubic feet per barrel)
bopd	barrels of oil or condensate per day
LNG	Liquefied Natural Gas (mainly methane and ethane)
LPG	Liquefied Petroleum Gas (mainly butane and propane)
PSC	Production Sharing Contract
scfd	standard cubic feet per day
TAC	Technical Assistance Contract

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial and operational results of Serica Energy plc and its subsidiaries (the "Group") should be read in conjunction with Serica's consolidated financial statements for the year ended 31 December 2006.

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

Overall Performance

Serica's activities are centred on the UK North Sea and Indonesia, with other interests in Norway, Spain, Ireland and Vietnam. The Group has no current oil and gas production, following the disposal of its Harimau Field interest, with the main emphasis placed upon its future exploration drilling programmes and near term developments. During 2006, work has continued on managing its portfolio of interests, advancing the Indonesian development and completing a successful drilling programme in the UK North Sea. Two operated wells were completed in the UK North Sea and both were gas discoveries.

Well 23/16f-11, an exploration well drilled on the Columbus prospect in the UK Central North Sea, encountered a gross gas column of at least 125 feet in the Paleocene Forties sands. Testing of the Columbus well confirmed the presence of a potentially commercial gas and condensate reservoir. A total of 85 feet of the reservoir was tested and the stabilised average production rates on a 56/64 inch choke during a five hour flow period were 17.5 million cubic feet of gas per day and 1,060 barrels per day of 47.5 degrees API condensate. The wellhead flowing pressure was 1,200 pounds per square inch and the inert gas content was less than 2%. These good flow rates demonstrated commercial potential and the well has been suspended for possible future use in a development programme.

Well 54/1b-6, an exploration well drilled on the Oak prospect in the UK Southern North Sea, encountered a gas bearing Leman sandstone reservoir with a gross gas column of 113 feet. A production test was carried out on an 80 foot interval and a stabilised gas flow rate of approximately 10 million standard cubic feet per day was recorded on a 44/64 inch choke. Laboratory analysis of the gas indicates that it contains material quantities of inert components and the Company believes that the accumulation is unlikely to be commercial. The well was plugged and abandoned.

In Indonesia, Serica acquired an additional 10% interest in the Glagah-Kambuna Technical Assistance Contract ("TAC") from PT Gunakarsa Glagah-Kambuna Energi subject to the necessary government approvals. The consideration of US$4,500,000 was payable in cash. Following this transaction Serica's interest in the TAC and the Kambuna Field will be 65%. Serica also disposed of its 10% interest in the Lematang Production Sharing Contract, which contains the almost depleted Harimau Field and the undeveloped Singa gas field, to Lundin Petroleum AB for a cash consideration of US$5,000,000.

In the Asahan Offshore PSC, approval was not received from the Indonesian authorities for the development of the small Tanjung Perling gas field prior to the end of the Exploration Period of the PSC on 16 December 2006. Serica is in discussions with the Indonesian authorities to agree an appropriate way forward to enable operations to continue into the second phase of the PSC. In view of the uncertainty on the outcome of these discussions, costs associated with the Asahan Offshore PSC have been written off in this year's financial statements. These costs largely relate to the Togar 1A well drilled in 2005 which was announced at the time as a non-commercial gas discovery, and which we are therefore unlikely to wish to retain in any forward programme.

In 2006, Serica was awarded an exploration licence offshore Ireland, and Production Sharing Contracts in Indonesia and Vietnam.

In the 2006 Irish Offshore Licensing Round, Serica was awarded a licence over Blocks 27/4, 27/5 (part block) and 27/9 which cover an area of approximately 611 square kilometres in the Slyne Basin off the west coast of Ireland. Serica is the operator and will hold a 100% interest in the licence. These blocks are already covered by modern 3D seismic data and Serica will be reprocessing around 300 square kilometres of this data as part of its work programme to assess the prospectivity of the blocks in the first phase of the licence. If Serica elects to proceed to the second phase of the licence it will drill at least one exploration well.

In Indonesia, Serica was awarded the Kutai Production Sharing Contract covering an area, both onshore and offshore, of approximately 4,729 square kilometres within the prolific Kutai Basin of East Kalimantan. Serica is the operator of the PSC and will hold a 52.5% interest in the block. Serica's partner, PT Ephindo, will hold the remaining 47.5% interest. The PSC contains several previously drilled wells that successfully established the presence of hydrocarbons. Serica will be acquiring a limited amount of new 2D and 3D seismic to augment the pre-existing seismic data set as part of its work programme to assess the prospectivity of the block which will also include the drilling of up to four exploration wells.

In Vietnam, Serica was awarded Block 06/94 in the Nam Con Son Basin offshore south Vietnam. Serica and its two partners, Lundin Petroleum and Pearl Energy, each have a 33.33% interest in the Block, which covers an area of around 4,100 square kilometers and will be operated by Pearl. Block 06/94 lies approximately 350 kilometres offshore and is the part of Block 06/1 which British Petroleum was obliged to relinquish in 1994 after retaining the Lan Tay and Lan Do gas fields for development. The Lan Do gas field commenced gas production in 2002.

Since the year end, Serica has been awarded new licences in both the UK and Norway. In the UK, Serica was awarded Block 23/16g in the Central North Sea, Block 48/17d in the Southern North Sea and Blocks 113/26b and 113/27b (part) in the East Irish Sea. Serica is the operator of all four blocks and has a 100% interest in each block except 23/16g, where it has a 50% interest.

In Norway, Serica was awarded a 20% interest in two large licences in the 2006 Awards in Predefined Areas ('APA') Licence Round. The licences are contiguous and cover a total area of approximately 1,625 square kilometres in the Egersund Basin, about 120 kilometres southwest of Stavanger. One of the licences contains the undeveloped Bream oil discovery.

The results of Serica's operations detailed below in this MD&A, and in the financial statements, are presented in accordance with International Financial Reporting Standards ("IFRS").

Results of Operations

Serica generated a loss of US$14.4 million for 2006 compared to a loss of US$10.5 million for 2005. The 2005 figures have been restated to take account of the revised accounting treatment for share purchase warrants outstanding at 31 December 2005.

	2006 US$000	2005 (1) US$000
Sales revenue	61	124
Expenses:		
Administrative expenses	(6,641)	(4,877)
Foreign exchange gain/(loss)	1,715	(463)
Pre-licence costs	(4,205)	(695)
Asset write offs	(12,870)	-
Share-based payments	(1,918)	(1,013)
Change in fair value of share warrants	1,154	(6,405)
Depletion, depreciation & amortisation	(95)	(30)
Operating loss before finance revenue and tax	(22,799)	(13,359)
Gain on disposal	2,311	-
Finance revenue	4,931	526
Loss before taxation	(15,557)	(12,833)
Taxation credit	1,182	2,309
Loss for the year	(14,375)	(10,524)
Basic and diluted loss per share (US$)	(0.10)	(0.13)

(1) As restated – See note 30 of the financial statements

Revenues from oil and gas production are recognised on the basis of the Company's net working interest in its properties. Revenues throughout each period were generated from Serica's 10% interest in the Harimau producing gas and gas condensate field. These revenues are from discontinued operations following the disposal of the Lematang PSC interest in 2006. Direct operating costs for the field during these periods were carried by Medco Energi Limited.

Administrative expenses of US$6.6 million for 2006 increased from US$4.9 million for 2005. The general increase from 2005 reflects the growing scale of the Company's activities over the past twelve months.

A significant foreign exchange gain of US$1.7 million was earned in 2006. This chiefly arose from the increase in US$ equivalent value of those pounds sterling cash deposits held to cover UK licence commitments and administrative expenditures expected in sterling, as the pound continued to strengthen against the dollar during the year.

Pre-licence costs include direct cost and allocated general administrative cost incurred on oil and gas interests prior to the award of licences, concessions or exploration rights. The significant increase in the charge from US$0.7 million in 2005 to US$4.2 million in 2006 is largely caused by data acquisition costs as part of the Norway licence applications (US$2.7 million) and a focus on new ventures in Vietnam and Indonesia (US$0.5 million).

Asset write offs of US$12.9 million comprise US$12.7 million in regard to the Asahan Offshore PSC and the Q3 2006 US$0.2 million charge against relinquished licences relating to the non core UK North Sea licence P1180, Blocks 48/16a and 47/20b. The Q4 Asahan Offshore PSC asset write offs include charges against exploration and evaluation assets (US$10.3 million), goodwill (US$0.7 million), inventory (US$0.6 million) and related long term other receivables (US$1.1 million).

Share-based payment costs of US$1.9 million reflect share option grants made during the course of 2004, 2005 and 2006 and compare with a cost of US$1.0 million for 2005. The increase from last year is due to share options granted in the second half of 2005 and early 2006 as the management team was built up.

The change in fair value of share warrants in 2005 is a restatement to reflect evolving interpretation of the treatment of such instruments under the recently adopted International Financial Reporting Standards. This has arisen due to the difference in the denominated currency of the warrants compared to Serica's functional currency. The loss in 2005 was created as the fair value of warrants not exercised increased due to the rise in share prices over the year and as further warrants were issued in the year. In 2006 a gain is recorded, as the fair value of warrants outstanding as at 31 December 2005 fell prior to their exercise in 2006. This has no cash impact on reported results. More detail is provided in note 30 of the financial statements.

Negligible depletion, depreciation and amortisation charges for 2005 represent office equipment only. Those costs of petroleum and natural gas properties classified as exploration and evaluation assets are not currently subject to such charges pending further evaluation.

A profit on disposal of US$2.3 million in Q2 2006 was generated on the sale of the 10% interest in the Lematang PSC to Lundin Petroleum AB for US$5 million.

Finance revenue, comprising interest income of US$4.9 million for 2006, compares with US$0.5 million for 2005. The increase from last year is due to the significant cash deposit balances held following the AIM listing and associated fund raising in December 2005.

The taxation credit of US$1.2 million in 2006 arose from the release of the deferred tax liabilities attached to the Lematang PSC (US$0.5 million) and Asahan (US$0.7 million). Expenditures during 2005 and 2006 have reduced any potential current income tax expense arising for the year to US$ nil.

The net loss per share decreased from US$0.13 to US$0.10 with the increase in the net loss for the year, compared to 2005, being offset by the greater increase in the number of shares in issue during 2006.

Summary of Quarterly Results

Quarter ended:	31 Mar US$000	30 Jun US$000	30 Sep US$000	31 Dec US$000
2006				
Sales revenue	25	36	-	-
(Loss)/profit for the quarter (1)	1,037	1,839	(3,795)	(13,456)
Basic and diluted loss per share US$(1)	-	-	(0.03)	(0.09)
Basic earnings per share US$ (1)	0.01	0.01	-	-
Diluted earnings per share US$ (1)	0.01	0.01	-	-
2005				
Sales revenue	31	32	36	25
(Loss) for the quarter (1)	(5,054)	(628)	(3,976)	(866)
Basic and diluted loss per share US$ (1)	(0.07)	(0.01)	(0.05)	(0.01)

(1) As restated – See note 30 of the financial statements

The fourth quarter 2006 loss includes asset write offs of US$12.7 million in regard to the Asahan Offshore PSC. The second quarter 2006 profit includes a gain of US$2.3 million from the disposal of the 10% interest in the Lematang Block.

Working Capital, Liquidity and Capital Resources

Current Assets and Liabilities

An extract of the balance sheet detailing current assets and liabilities is provided below:

	31 December 2006 US$000	31 December 2005 (1) US$000
Current assets:		
Inventories	6,785	878
Trade and other receivables	30,903	2,106
Cash and cash equivalents	77,306	109,750
Total Current assets	114,994	112,734
Less Current liabilities:		
Trade and other payables	(30,619)	(7,136)
Fair value of warrants	-	(6,850)
Net Current assets	84,375	98,748

(1) As restated – See note 30 of the financial statements

At 31 December 2006, the Company had net current assets of US$84.4 million which comprised current assets of US$115.0 million less current liabilities of US$30.6 million, giving an overall decrease in working capital of US$14.4 million in the year. The Company raised additional new funds of US$8.5 million through the exercise of warrants and earned interest income of US$4.9 million, but incurred significant costs in 2006 from exploration work, principally the Q4 UK drilling programme on the Oak and Columbus prospects.

Inventories increased significantly from US$0.9 million to US$6.8 million from the acquisition in Q3 2006 of steel casing for the forthcoming Indonesian drilling programme.

Trade and other receivables at 31 December 2006 included the US$5.0 million proceeds due from the Lematang PSC disposal, and significant recoverable amounts from partners in Joint Venture operations. Other smaller items included prepayments and sundry UK and Indonesia working capital balances.

Trade and other payables include significant amounts due to those sub-contractors operating the UK drilling program. They also include trade creditors and accruals from 3D seismic acquisition in Indonesia, a further US$1.5 million payable for acquisition of an additional 10% interest in the Glagah Kambuna TAC and US$1.9 million payable for Norwegian data costs.

The fair value of the Canadian $ warrants outstanding at 31 December 2005 is estimated using a Black Scholes pricing model based upon the warrant exercise price, the share price, volatility and the life of the warrant. This created a liability as at 31 December 2005, which was cleared in 2006 upon exercise. There is no cash effect of this liability. See note 30 of the financial statements for further detail.

Long-Term Assets and Liabilities

An extract of the balance sheet detailing long-term assets and liabilities is provided below:

	31 December 2006 US$000	31 December 2005 US$000
Exploration and evaluation assets	40,681	23,591
Property, plant and equipment	342	26
Goodwill	1,200	2,382
Long-term other receivables	351	1,758
Long-term other payables	-	(151)
Deferred income tax liabilities	(955)	(2,137)

During 2006, total investments in petroleum and natural gas properties, represented by intangible exploration assets, increased to US$40.7 million. The net US$17.1 million increase consists of US$29.7 million of additions, less US$2.1 million disposals from Lematang, US$10.3 million of Asahan write offs and US$0.2 million of relinquished licence costs. Of the 2006 investments, US$17.6 million was spent in the UK principally on drilling activity on the Columbus and Oak prospects, US$7.1 million in Indonesia on exploration work and 3D Seismic, US$4.5 million on the further 10% interest in the Glagah Kambuna TAC, and a further US$0.5 million in Spain.

Property, plant and equipment includes office fixtures and fittings and computer equipment.

Goodwill, representing the difference between the price paid on acquisitions and the fair value applied to individual assets, fell by US$0.5 million to US$1.9 million following the Lematang disposal in Q2 2006, and by US$0.7 million to US$1.2 million following the write off of costs allocated to the Asahan asset.

Long-term other receivables of US$0.3 million represent value added tax (“VAT”) on Indonesian capital spend, which is expected to be recovered once the fields commence production.

Long-term other payables comprised VAT payable in Indonesia. This liability was cleared following the Lematang PSC disposal.

Deferred income tax liabilities fell by US$1.2 million to US$1.0 million as the US$0.5 million liability associated with the Lematang PSC was removed, and a further US$0.7 million in relation to Asahan released following the write off of certain Asahan costs.

Shareholders' Equity

An extract of the balance sheet detailing shareholders' equity is provided below:

	31 December 2006 US$000	31 December 2005 (1) US$000
Total share capital	157,283	148,745
Other reserves	11,767	4,153
Accumulated deficit	(43,056)	(28,681)

(1) As restated – See note 30 of the financial statements

Total share capital includes the total net proceeds (both nominal value and any premium on the issue of equity capital).

Issued share capital during 2006 was increased by the exercise of 7,949,376 warrants at a price of Cdn$1.20 and 40,000 share options of the Company at a price of Cdn$1.00.

Other reserves include those equity amounts in respect of the movement in cumulative expense of share-based payment charges, and the element of the fair value liability of share purchase warrants eliminated upon exercise of those warrants.

Capital Resources

At 31 December 2006, Serica had US$84.4 million of net working capital and no significant long-term debt. At that date the Company had commitments to future minimum payments under operating leases in respect of rental office premises, office equipment and motor vehicles for each of the following years as follows:

	US$000
31 December 2007	344
31 December 2008	287
31 December 2009	266
31 December 2010	42

The Company had no long-term debt or capital lease obligations. In Q4 2006 the Company contracted the Seadrill 5 jack-up drilling rig for 136 days during 2007 for Indonesia operations at a gross cost of US$26,286,000. Serica's net share of these costs will depend on the exact split of the proposed drilling programmes, but following the farm-out of a 45% interest in Biliton and current paying interests in the Glagah Kambuna TAC, this is expected to be approximately US$11,100,000.

In the absence of revenues generated from oil and gas production, Serica will utilise existing financial resources as required to fund its investment programme and ongoing operations.

Off-balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions or arrangements.

Critical Accounting Estimates

The Company's significant accounting policies are detailed in note 2 to the attached audited 2006 financial statements. International Financial Reporting Standards have been adopted. The cost of exploring for and developing petroleum and natural gas reserves are capitalised. Unproved properties are subject to periodic impairment tests whilst the costs of proved properties are depleted over the life of such producing fields. In each case, calculations are based upon management assumptions about future outcomes, product prices and performance.

Financial Instruments

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

Cash and cash equivalents, which comprise short-term cash deposits, are generally held within the currency of likely future expenditures to minimise the impact of currency fluctuations. The majority of funds are currently held in US dollars to match the Group's exploration and appraisal commitments. The holding of £4.4 million at year-end reflected a proportion of UK licence commitments and administrative expenditures expected in £ sterling.

Serica is holding significant net cash. Whilst this does leave exposure to interest rate fluctuations, given the level of expenditure plans over 2007/8 this is managed in the short-term through selecting treasury deposit periods of one to six months.

Where Serica operates joint ventures on behalf of partners it seeks to recover the appropriate share of costs from these third parties. The majority of partners in these ventures are well established oil and gas companies. In the event of non payment, operating agreements typically provide recourse through increased venture shares. Cash and treasury credit risks are mitigated through spreading the placement of funds over a range of institutions each carrying acceptable published credit ratings to minimise counterparty risk.

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

Share Options

As at 31 December 2006, the following employee share options were outstanding: -

	Expiry Date	Number	Exercise cost Cdn$
Share options	Aug 2009	500,000	555,000
	Feb 2009	817,500	1,635,000
	May 2009	100,000	200,000
	Dec 2009	325,000	325,000
	Jan 2010	600,000	600,000
	Jun 2010	1,633,333	2,939,999
			Exercise cost £
	Nov 2010	671,000	650,870
	Jan 2011	1,275,000	1,319,625
	May 2011	180,000	172,800
	June 2011	270,000	259,200
	Nov 2011	120,000	134,400

Business Risk and Uncertainties

Serica, like all exploration companies in the oil and gas industry, operates in an environment subject to inherent risks. Many of these risks are beyond the ability of a company to control, particularly those associated with the exploring for and developing of economic quantities of hydrocarbons: volatile commodity prices; governmental regulations; and environmental matters.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Serica's management, including the Chief Executive Officer and Chief Financial Officer, has reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators) as of 31 December 2006. Management has concluded that, as of 31 December 2006, the disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this report was being prepared.

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no changes in the Company's internal controls over financial reporting during the year that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Nature and Continuance of Operations

The principal activity of the Company is to identify, acquire and subsequently exploit oil and gas reserves primarily in Asia and Europe.

The Company's financial statements have been prepared with the assumption that the Company will be able to realise its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company currently has relatively minor operating revenues and, during the period ended 31 December 2006 the Company incurred losses of US$14.4 million from continuing operations. At 31 December 2006 the Company held cash and cash equivalents of US$77.3 million.

Outstanding Share Capital

As at 20 March 2007, the Company had 150,537,955 ordinary shares issued and outstanding.

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

Approved on Behalf of the Board

Paul Ellis
Chief Executive Officer

Christopher Hearne
Finance Director

29 March 2007

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.

Serica Energy plc
Group Income Statement
for the year ended 31 December 2006

	Notes	**2006** **US$000**	2005 (1) US$000
Sales revenue	3	61	124
Cost of sales		-	-
Gross profit		61	124
Administrative expenses	5	(6,641)	(4,877)
Foreign exchange gain/(loss)		1,715	(463)
Pre-licence costs		(4,205)	(695)
Asset write offs	12,14	(12,870)	-
Share-based payments		(1,918)	(1,013)
Change in fair value of share warrants	30	1,154	(6,405)
Depreciation, depletion and amortisation	6	(95)	(30)
Operating loss before finance revenue and tax		(22,799)	(13,359)
Profit on disposal	16	2,311	-
Finance revenue	9	4,931	526
Loss before taxation		(15,557)	(12,833)
Taxation credit for the year	10 a)	1,182	2,309
Loss for the year		(14,375)	(10,524)
Loss per ordinary share (US$)			
Basic and diluted LPS	11	(0.10)	(0.13)

(1) As restated – See note 30

Serica Energy plc
Balance Sheet
As at 31 December 2006

		Group		Compan	
		2006	2005(1)	**2006**	2005(1)
	Note	**US$000**	US$000	**US$000**	US$000
Non-current assets					
Exploration & evaluation assets	12	40,681	23,591	-	-
Property, plant and equipment	13	342	26	-	-
Goodwill	14	1,200	2,382	-	-
Investments in subsidiaries	15	-	-	119,682	119,649
Other receivables	17	351	1,758	-	-
		42,574	27,757	119,682	119,649
Current assets					
Inventories	18	6,785	878	-	-
Trade and other receivables	19	30,903	2,106	76,120	7,491
Cash and cash equivalents	20	77,306	109,750	49,098	107,080
		114,994	112,734	125,218	114,571
TOTAL ASSETS		157,568	140,491	244,900	234,220
Current liabilities					
Trade and other payables	21	(30,619)	(7,136)	(1,045)	(2,003)
Fair value of warrants	30	-	(6,850)	-	(6,850)
Non-current liabilities					
Other payables		-	(151)	-	-
Deferred income tax liabilities	10	(955)	(2,137)	-	-
TOTAL LIABILITIES		(31,574)	(16,274)	(1,045)	(8,853)
NET ASSETS		125,994	124,217	243,855	225,367
Share capital	23	157,283	148,745	122,011	113,473
Merger reserve	15	-	-	112,174	112,174
Other reserves		11,767	4,153	11,767	4,153
Accumulated deficit		(43,056)	(28,681)	(2,097)	(4,433)
TOTAL EQUITY		125,994	124,217	243,855	225,367

(1) As restated – See note 30

Approved by the Board on 29 March 2007

Paul Ellis
Chief Executive Officer

Chris Hearne
Finance Director

Serica Energy plc
Statement of Changes in Equity
For the year ended 31 December 2006

Group

	Share capital US$000	Other reserves US$000	Accum'd deficit US$000	Total US$000
At 1 January 2005 previously	33,047	256	(14,828)	18,475
Impact of fair valued warrants	-	-	(3,329)	(3,329)
At 1 January 2005 as restated	33,047	256	(18,157)	15,146
Issue of shares	105,418	-	-	105,418
Conversion of warrants	10,190	-	-	10,190
Issue of 'A' share	90	-	-	90
Share-based payments	-	1,013	-	1,013
Loss for the year	-	-	(10,524)	(10,524)
Fair value of warrants	-	2,884	-	2,884
At 1 January 2006 (1)	148,745	4,153	(28,681)	124,217
Conversion of warrants	8,530	-	-	8,530
Conversion of options	35	-	-	35
Issue of shares (net)	(27)	-	-	(27)
Share-based payments	-	1,918	-	1,918
Loss for the year	-	-	(14,375)	(14,375)
Fair value of warrants	-	5,696	-	5,696
At 31 December 2006	157,283	11,767	(43,056)	125,994

Company

	Share capital US$000	Merger reserve US$000	Other reserves US$000	Accum'd deficit US$000	Total US$000
At incorporation - 12 May	-	-	-	-	-
Share reorganisation (1)	7,475	112,174	3,624	(3,624)	119,649
Issue of 'A' share	90	-	-	-	90
Issue of shares (net)	105,418	-	-	-	105,418
Conversion of warrants	490	-	-	-	490
Share-based payments	-	-	383	-	383
Loss for the period	-	-	-	(809)	(809)
Fair value of warrants	-	-	146	-	146
At 1 January 2006 (1)	113,473	112,174	4,153	(4,433)	225,367
Conversion of warrants	8,530	-	-	-	8,530
Conversion of options	35	-	-	-	35
Issue of shares (net)	(27)	-	-	-	(27)
Share-based payments	-	-	1,918	-	1,918
Profit for the year	-	-	-	2,336	2,336
Fair value of warrants	-	-	5,696	-	5,696
At 31 December 2006	122,011	112,174	11,767	(2,097)	243,855

(1) As restated – See note 30

Serica Energy plc

Cash Flow Statement

For the year ended 31 December 2006

	Group 2006 US$000	2005 (1) US$000	**Company 2006 US$000**	2005 (1) US$000
Cash flows from operating activities:				
Operating loss	(22,799)	(13,359)	(1,376)	(1,041)
Adjustments for:				
Depreciation, depletion and	95	30	-	-
Asset write offs	12,870	-	-	-
Share-based payments	1,918	1,013	1,918	383
Change in fair value of share warrants	(1,154)	6,405	(1,154)	462
Foreign exchange loss on investment	-	417	-	-
Changes in working capital	(10,813)	2,184	(122)	326
Cash generated from operations	(19,883)	(3,310)	(734)	130
Taxes received	35	179	-	-
Net cash (out)/inflow from	(19,848)	(3,131)	(734)	130
Cash flows from investing activities				
Interest received	4,999	292	3,872	-
Purchase of property, plant and	(411)	(50)	-	-
Purchase of intangible exploration	(24,190)	(14,048)	-	-
Funding provided to group	-	-	(68,126)	-
Disposals of intangible exploration	-	1,046	-	-
Proceeds from disposal of investment	-	6,772	-	-
Net cash used in investing	(19,602)	(5,988)	(64,254)	-
Cash proceeds from financing				
Net proceeds from issue of shares	(1,559)	106,950	(1,559)	106,950
Proceeds on exercise of	8,565	10,190	8,565	-
Net cash from financing activities	7,006	117,140	7,006	106,950
Net (decrease)/increase in cash and	(32,444)	108,021	(57,982)	107,080
Cash and cash equivalents at 1	109,750	1,729	107,080	-
Cash and cash equivalents at 31	77,306	109,750	49,098	107,080

Serica Energy plc

Notes to the Financial Statements

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

The Group's and Company's financial statements for the year ended 31 December 2006 were authorised for issue by the Board of Directors on 29 March 2007 and the balance sheets were signed on the Board's behalf by Paul Ellis and Chris Hearne. Serica Energy plc is a public limited company incorporated and domiciled in England & Wales. The principal activity of the Company and the Group is to identify, acquire and subsequently exploit oil and gas reserves primarily in Asia and Europe. The Company's ordinary shares are traded on AIM and the TSXV.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU as they apply to the financial statements of the Group for the year ended 31 December 2006. The Company's financial statements have been prepared in accordance with IFRS as adopted by the EU as they apply to the financial statements of the Company for the period ended 31 December 2006 and as applied in accordance with the provisions of the Companies Act 1985. The Group and Company's financial statements are also consistent with IFRS as issued by the IASB. The principal accounting policies adopted by the Group and by the Company are set out in note 2.

The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual income statement and related notes. The surplus dealt with in the financial statements of the parent Company was US$2,336,000.

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

As detailed in Note 30, the Group and the Company have made certain restatements to the comparative year's balances. All prior year comparatives in affected notes to the Group and Company accounts have been restated to reflect these restatements.

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 2006.

The Group and Company financial statements are presented in US dollars and all values are rounded to the nearest thousand dollars (US$000) except when otherwise indicated.

Use of Estimates and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

The key sources of estimation uncertainty that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the estimation of share-based payment costs and the impairment of intangible exploration assets (E&E assets). The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the continuing participation of employees (see note 25).

The Group determines whether E&E assets are impaired in cash-generating units defined on a geographical segment basis when facts and circumstances suggest that the carrying amount of a cash-generating unit 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 discount rate. The capitalisation and any write off of E&E assets necessarily involve certain judgements with regard to whether the asset will ultimately prove to be recoverable.

Basis of Consolidation

The consolidated financial statements include the accounts of Serica Energy plc (the "Company") and its wholly owned subsidiaries Serica Energy Corporation, Serica Energy Holdings B.V., Asia Petroleum Development Limited, Petroleum Development Associates (Asia) Limited, Serica Energia Iberica S.L., Firstearl Limited, Serica Energy (UK) Limited, PDA Lematang Limited, APD (Asahan) Limited, APD (Biliton) Limited, APD (Glagah Kambuna) Limited, Serica Energy Pte Limited, Serica Kutei B.V. and Serica Nam Con Son B.V.. Together these comprise the "Group".

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

Foreign Currency Translation

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

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

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method of accounting. The purchase price of an acquisition is measured as the cash paid plus the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units (business segments) expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit 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.

Reverse takeovers

Certain acquisitions whereby the substance of the acquisition is that the acquirer is the entity whose equity interests have been acquired, and the issuing entity is the acquiree, are considered to represent a reverse takeover. The legal subsidiary being acquired is the acquirer if it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

Reverse takeovers are treated as a business combination whereby the consolidated financial statements prepared following the takeover represent a continuation of the financial statements of the legal subsidiary acquired.

Joint Venture Activities

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 assets of the ventures. These are classified as jointly controlled assets and consequently, these financial statements reflect only the Group's proportionate interest in such activities.

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. 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.

Full details of Serica's working interests in those petroleum and natural gas exploration and production activities classified as jointly controlled assets are included the Review of Operations on pages 8 and 12.

Upon the successful development of an oil or gas field in a contract area, the cumulative excess of paying interest over working interest in that contract is generally repaid out of the field production revenue attributable to the carried interest holder.

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

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 exploration assets (E&E assets). These costs are allocated to cost pools based upon three geographical segments; Indonesia, UK & North West Europe and Spain.

E&E assets are not amortised prior to the conclusion of appraisal activities but are assessed for impairment in cash-generating units defined on a geographical segment basis when facts and circumstances suggest that the carrying amount of a cash-generating unit 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 cost pool is written down to the recoverable amount in accordance with IAS 36. Such excess is expensed in the income statement.

Costs of relinquished licences are expensed in the income statement.

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 a development asset and tested for impairment. If commercial reserves have not been discovered then the costs of such assets will be retained within the relevant geographical E&E segment until subject to impairment or relinquishment.

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.

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 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. The Group did not carry any provision for decommissioning costs during 2005 or 2006.

Any changes in the present value of the estimated expenditure is added to or deducted from the cost of the assets to which it relates. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life.

Property, Plant and Equipment

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

Inventories

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

Investments

In its separate financial statements the Company recognises its investments in subsidiaries at cost.

<u>Financial instruments</u>

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

Trade and other receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Bad debts are written off when identified.

Financial assets comprise investments and are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are de-recognised or impaired, as well as through the amortisation process.

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 include outstanding share warrants which are carried at fair value. Changes in fair value are recognised in the income statement for the period.

Revenue Recognition

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

Finance Revenue

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

Share-Based Payment Transactions

The Company operates equity settled schemes under which employees may be awarded share options from time-to-time. The fair value of each option at the date of the grant is estimated using an appropriate pricing model based upon the option price, the share price at the date of issue, volatility and the life of the option. It is assumed that all performance criteria are met.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional on a market condition. In this case such awards are treated as vesting provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity. Estimated associated national insurance charges are expensed in the income statement on an accruals basis.

Share Warrants

The fair value of each outstanding warrant is estimated using a Black Scholes pricing model based upon the warrant exercise price, the share price, volatility and the life of the warrant.

Equity

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

Income Taxes

Deferred tax is provided using the liability method and tax rates and laws that have been enacted or substantially 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 asset 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 potentially dilutive shares to ordinary shares. It is assumed that any proceeds obtained on the exercise of any options and warrants would be used to purchase ordinary shares at the average price during the period. Where the impact of converted shares would be anti-dilutive, these are excluded from the calculation of diluted earnings.

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)

IFRS 7 'Financial Instruments: Disclosures' – Effective date 1 January 2007
IFRS 8 'Operating Segments' – Effective date 1 January 2009
IAS 1 'Amendment – Presentation of Financial Statements: Capital Disclosures' – Effective date 1 January 2007

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 7 'Applying the restatement Approach under IAS 29 Financial reporting in Hyperinflationary Economies' – Effective 1 March 2006
IFRIC 8 'Scope of IFRS 2' - Effective date 1 May 2006
IFRIC 9 'Reassessment of Embedded Derivatives' – Effective date 1 June 2006
IFRIC 10 'Interim Financial Reporting and Impairment' – Effective date 1 November 2006
IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' – Effective 1 March 2007
IFRIC 12 ' Service Concession Arrangements' – Effective date 1 January 2008

The Directors do not anticipate that the adoption of these statements and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Upon adoption of IFRS 7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the Group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.