Serica Energy plc

("Serica" or the "Company")

Results for the year ended 31 December 2021

London, 21 April 2022 - Serica Energy plc (AIM: SQZ), a British independent upstream oil and gas company with operations in the UK North Sea today announces its audited financial results for the year ended 31 December 2021. The results are included below and copies are available at www.serica-energy.com and www.sedar.com.

Commenting on the results, Mitch Flegg, Serica's CEO stated:

"2021 was an outstanding year of progress for Serica, which demonstrated the value of our through-cycle investment strategy resulting in the R3 and Columbus projects reaching first production. This increases Serica's gas output to over 85% of our total production, further increasing our contribution to the provision of vital lower carbon gas to the UK's energy market.

Our latest Competent Persons Report ("CPR") has again indicated a significant increase in Serica's remaining 2P Reserves which stand at 62.2 million boe at 1 January 2022, an increase during the year despite allowing for 2021 production.

We will continue to pursue our investment-led strategy this year with a planned well intervention programme on the Bruce, Keith and Rhum fields ("BKR") in addition to our exploration well at North Eigg. As always, we continue to look for acquisition opportunities that fit our criteria and will add value for our stakeholders."

2021 Summary

- Group gross profit of £386.8 million (2020: loss of £2.9 million) and cash flow from operations of £157.6 million (2020: £44.1 million).
- Average net production of 22,200 boe per day (2020: 23,800 boe per day) after extended 2021 maintenance programmes.
- Completion of Rhum R3 and Columbus well programmes bringing increased production starting in August and November 2021 respectively.
- 2P reserves increased to 62.2 million boe (2020: 61.0 million boe) with Group 2021 production more than replaced.

Financial

- Average 2021 sales price of approx. US$93 per boe (2020: US$20 per boe) before hedging losses.
- Average operating cost of US$16.47 per boe (2020: US$14.12 per boe) reflecting increased workscope following COVID restrictions during 2020.

- Operating profit of £246.1 million (2020: loss of £18.7 million) after:
  - realised losses of £56.6 million on 2021 gas price hedging (2020: gains of £12.3 million); plus
  - unrealised losses of £74.6 million based on valuation of 2022/2023 gas price hedging (2020: loss of £16.6 million).

- Cash flow from operations of £157.6 million (2020: £44.1 million) after payment during the year of £113.6 million of temporary cash security lodged with hedge counterparties (2020: £1.8 million).

- Closing cash at 31 December 2021 of £103.0 million (2020: £89.3 million) plus a further £115.4 million of temporary cash security (2020: £1.8 million) after:
  - £52.2 million of capital investment (2020: £26.6 million), and
  - £9.4 million of dividends paid (2020: £8.0 million).

- Profit before tax of £135.1 million (2020: £12.5 million) after final charges of £110.5 million for BKR fair value of net cash flow sharing and Rhum deferred consideration (2020: gains of £31.3 million).

- Profit after tax of £79.3 million (2020: £7.8 million) after current tax charges of £15.8 million (2020: nil) and a non-cash deferred tax provision of £40.0 million (2020: £4.8 million).

Operational

- Updated independent audit of field reserves reported Serica's share of estimated remaining 2P reserves as 62.2 million boe as at 1 January 2022
  - approximate 14% increase over the 61.0 million boe reported as at 1 January 2021, after adjustment for 2021 production
  - result of outcome of R3 operations, general well performance and improved forward commodity prices.

- Rhum R3 well, brought into production in August after overcoming series of challenges arising from the original drill programme in 2006.

- Columbus development well completed in mid-year and brought into production in late November once Arran-Shearwater pipeline and associated Shearwater facilities available.

- Bruce, Keith and Rhum fields produced approx. 20,300 boe per day net to Serica for 2021 compared to 21,500 boe per day for 2020 after extended summer maintenance programme.

- Erskine field production averaged 1,650 boe per day net to Serica during 2021 (2020: 2,300 boe per day) after three-month summer shut-in to upgrade production module.

ESG

- Continued focus on flaring resulted in a 16% reduction in flare volumes compared to 2020.

- Scope 1 CO_2 emissions of approx. 208,900 tonnes were within approx. 2% of 2020 (204,650 tonnes) and approx. 13% lower compared to 2019 (241,500 tonnes).

- Delivery of ESG targets for flaring, emissions and waste incorporated into incentivisation schemes for all staff.

- Demonstrating our commitment to ESG transparency by providing a greater scope of information and reporting in line with the most up to date reporting standards. An updated ESG report will be available on the Serica website www.serica-energy.com concurrent with the publication of the full 2021 Annual Report.

Outlook

- New production from the Rhum R3 and Columbus wells benefitting from strong commodity prices and the retention of 100% of our BKR net cash flows effective from 1 January 2022.

- Production guidance range for 2022 narrowed and slightly reduced from 27,100-33,600 boe/d to 26,000 boe/d-30,000 boe/d reflecting lower Columbus production rates and current supply chain limitations causing 2022 programme delays.

- North Eigg exploration well is due to spud in early Q3 2022 with the prospect of a rapid route to development in the event of a discovery – P50 recoverable resources estimated at 60 mmboe unrisked.

- Light Well Intervention Vessel campaign to enhance production on BKR wells planned for the summer.

- Ongoing commitment to reduce our emissions through engineering projects, improved working practices and collaboration with supply chain.

- Subject to shareholder approval at the AGM, a dividend of 9 pence per share will be payable on 22 July 2022 to shareholders registered on 1 July 2022 with an ex-dividend date of 30 June 2022.

- Shareholder approval will also be sought at the AGM to enable repurchases of Serica shares of up to 10% of the Company's share capital though we have no current plans to utilise this.

- With strong operating, ESG and financial credentials Serica is well-placed to grow through developing the potential of its existing assets as well as building on new opportunities to diversify risk, provide new growth prospects and achieve economies of scale.

A conference call for sell-side analysts will be held later today at 10:00 am (UK time), today. If you would like to participate, please email serica@vigoconsulting.com. A copy of the accompanying presentation can be found on our website: www.serica-energy.com.

Regulatory

This announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

The technical information contained in the announcement has been reviewed and approved by Fergus Jenkins, VP Technical at Serica Energy plc. Mr. Jenkins (MEng in Petroleum Engineering from Heriot-Watt University, Edinburgh) is a Chartered Engineer with over 25 years of experience in oil & gas exploration, development and production and is a member of the Institute of Materials, Minerals and Mining (IOM3) and the Society of Petroleum Engineers (SPE).

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CHAIRMAN'S STATEMENT

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.

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

STRATEGIC REPORT

The following Strategic Report of the operations and financial results of Serica Energy plc ("Serica") and its subsidiaries (the "Group") should be read in conjunction with Serica's consolidated financial statements for the year ended 31 December 2021.

References to the "Company" include Serica and its subsidiaries where relevant. All figures are reported in GB Sterling ("£") unless otherwise stated.

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

Serica is an independent oil and gas company with production, development and exploration interests in the UK Continental Shelf.

CEO's REVIEW

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 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

REVIEW OF OPERATIONS

Production

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.

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%

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.

UK Development

Central North Sea: Columbus Development – Blocks 23/16f and 23/21a (part), Serica 50%

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.

UK Exploration

North Eigg and South Eigg – Blocks 3/24c and 3/29c, Serica Energy (UK) Limited 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 Energy (UK) Limited: 20% working interest, 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 500km^2 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.

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
UK					
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

FINANCIAL REVIEW

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

Risks	**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 49 and 50 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 46 to 48.

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.

Serica Energy plc
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.

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

	Note	**Group** **2021** **£000**	2020 £000	**Company** **2021** **£000**	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

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

Group

	Note	**Share capital £000**	**Other reserve £000**	**Accum'd 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

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

	Note	Group **2021 £000**	2020 £000	Company **2021 £000**	2020 £000
Operating activities:					
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

Serica Energy plc

Notes to the Financial Statements

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

These are not the statutory accounts of the Company prepared in accordance with the Companies Act. 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

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.

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

<u>Business combinations from 1 January 2010</u>

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.

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.

<u>Pre-licence Award Costs</u>

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.

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.

<u>Financial assets</u>

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.

<u>Cash and cash equivalents</u>

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.

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').

<u>Equity-settled transactions</u>

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.

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.

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.

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