

FOCUSED ON VALUE

ANNUAL REPORT 2023



OUR PURPOSE IS TO CONTRIBUTE RESPONSIBLY TOWARDS MEETING THE WORLD'S ENERGY NEEDS THROUGH THE SAFE AND EFFICIENT PRODUCTION OF HYDROCARBONS

WHAT'S IN THIS YEAR'S REPORT



- 1 Highlights
- 2 Chairman's Statement

Strategic Report

- 6 Chief Executive's Review & Leadership Team
- 8 Serica's Expanding Portfolio
- 10 Review of Operations
 - Production
 - Development
 - UK Exploration
- 16 Serica's ESG in 2023
- 19 Licence Holdings
- 20 Financial Review

Corporate Governance

- 38 Board of Directors
- 41 Directors' Report
- 43 Corporate Governance
- 65 Directors' Responsibilities Statement – Group

Financial Statements

- 66 Independent Auditor's Report
- 74 Group Primary Financial Statements
- 79 Notes to the Group Financial Statements
- 118 Directors' Responsibilities Statement – Company
- 119 Company Primary Financial Statements
- 121 Notes to the Company Financial Statements

Other Information

- 125 Reconciliation of non-IFRS measures
- 126 Glossary
- 127 Corporate Information

2023 HIGHLIGHTS

⚡ **Acquisition of Tailwind Energy**
completed 23 March 2023

⚡ **2P Reserves increased to 140.3 million boe** representing a 179% Reserve Replacement Ratio (proforma basis)

⚡ **Production increased to 40,100 boe/d (proforma basis)** from 26,200 boe/d in 2022

⚡ **23p per share dividend** for full year up 4.5% on 2022*

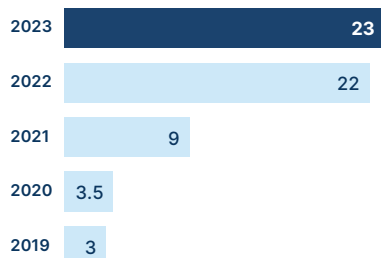
⚡ Acquired 30% interest in **Buchan Horst development** project

⚡ Increased financial 'firepower' with new **US\$525 million borrowing facility**

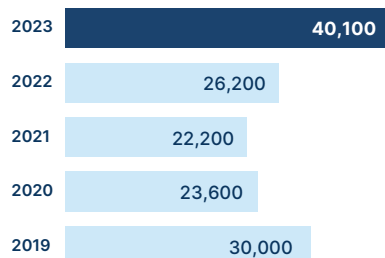
⚡ **Achieved lowest Scope 1 Carbon Intensity** on BKR assets since becoming operator in 2018

* inclusive of proposed 14p/share Final Dividend to be approved at AGM

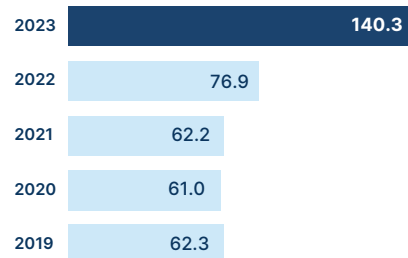
FULL YEAR DIVIDEND (p/share)



PRODUCTION (boe/d)



2P RESERVES (mmboe)



FOCUSING ON THE FUTURE

Serica is an established and effective operator with a track record of successful M&A. The Company has the assets, financial capacity and the vision to deliver significant returns to our shareholders.

The experience and expertise of the Serica team is focused on enhancing our business through a combination of investment in our existing assets to optimise their performance and productive life, and proactive, disciplined M&A activity as we seek value accretive transactions which have a material impact on near term production, reserves and financial performance.





“By virtue of its financial strength and in-house skills, Serica is able to combine cash returns to shareholders with growth through investment”

David Latin
Chairman

Dear Shareholder

Without doubt times are currently difficult for independent oil and gas companies working in the UK. However, I am pleased to say that Serica is no ordinary company, and it is strong and well equipped to withstand the current headwinds. The purpose of the Company remains to contribute responsibly towards meeting the world's energy needs through the safe and efficient production of hydrocarbons. Its Board is resolute that it will stay focussed on responsible capital allocation to invest prudently in our business whilst also delivering increasing returns for shareholders over time. We do this by investing in our mid to late life assets, optimising them and extending their lives, while seeking opportunities to further add value through operationally and financially accretive acquisitions.

Given the significant fiscal uncertainty driven by both major political parties in the UK, we have stepped up efforts to identify attractive opportunities to apply our approach in the broader North Sea region.

40,100

boe/d production in 2023

23p/share

total dividend in 2023
(paid and proposed)

2023 in Overview

In operational terms, 2023 was another year of sound progress at Serica. Notwithstanding an unexpectedly long summer maintenance shut down, we again delivered within the range of our production guidance, and more than replaced production for the 6th year in succession.

The troubling developments in 2023 (and sadly again in 2024) came from Westminster. First, the Government elected to keep its supposed 'Windfall' Profits Tax in place long after any possible justification for it based on oil and gas prices had disappeared and then most recently in the Spring budget announced that they would extend it by a further year to 2029. Second, the Labour Party announced that, if elected to Government, they would not only increase the rate of the tax to 78% but also significantly reduce the amount of capital relief on investment as compared to the current regime. Uncertainty caused by political short termism risks killing off investment across the UK sector of the North Sea and with it the associated high-quality jobs this creates throughout the UK. It would seem that the established policy of maximising the economic recovery of the UK's remaining reserves of oil and gas in support of the energy transition has been abandoned. Instead, our politicians appear to have embarked on a race to the bottom with policy aimed at maximising the near-

term Government take, notwithstanding that this will necessarily accelerate both production decline and the timing of decommissioning, which in turn will inevitably reduce Government overall receipts from UKCS and serve only to increase imports of oil and gas to the UK. Imported production can easily be interrupted, pays no UK taxes, sustains no UK jobs, and often involves greater carbon emissions. This policy volte face is a sad demonstration of the elevated level of UK political risk which our industry now faces and has necessarily caused all companies operating on the UKCS, including Serica, to reconsider their UK investment plans.

Significant Developments in 2023

The acquisition of Tailwind Energy was completed in March. Amongst other benefits flowing from this acquisition, our portfolio of producing assets became more evenly balanced between oil and gas, which had the consequence (consistent with one of our objectives from the Tailwind transaction) of reducing the impact of falling gas prices through the year – a trend which has continued into 2024. Serica also signed an innovative deal to add to our resource hopper by farming into Jersey Oil and Gas's project to redevelop existing discovered resources in the Buchan field. We will be continuing to work this pre-sanction opportunity with our partners in the field during 2024. At

the same time, our team supplemented by the expertise of our new former Tailwind colleagues, continued to identify opportunities to invest in our existing assets, providing significant additions to our oil and gas reserves in both our hubs, and so providing potential to defer decommissioning activities.

The Company's Finances

Serica's finances remain strong despite reduced commodity prices and the impact of unwelcome high tax rates, with revenues of £633 million (£812 million in 2022). Group Profit before taxation for 2023 amounts to £306 million (£488 million in 2022). After providing for the impact of materially increased taxes, profit after tax for 2023 was £103 million (£178 million in 2022). Furthermore, the Company retains the confidence of major financial institutions and hence was able to raise significant support in the form of a new US\$525 million reserve-based loan facility completed in January 2024. This loan facility, together with our existing cash balances, provide us with flexibility for capital allocation in line with our stated strategy of investing in our assets, disciplined M&A and ensuring robust shareholder distributions.

Outlook and Policy

Notwithstanding the current political turbulence, Serica will continue to seek ways to invest in our UK assets where we believe such investments will create value for our shareholders. Given our operational skills and very low exposure to decommissioning cost (our liabilities are among the lowest in the UKCS), we are better placed to do this than most.

However, our ambitions for increased shareholder value are far greater than simply maximising returns from our current portfolio of assets.

If good opportunities for increased value should arise in the UK of course we will not ignore them, but in the current circumstances we must consider other alternatives. Hence the Board has now refocused and increased its search for projects outside the UK where we believe we can deploy our skillsets to deliver increased shareholder value. We are currently focussed on identifying attractive opportunities in the broader North Sea region beyond the UK. However, we will remain disciplined and will only invest in projects or make acquisitions where we are confident that they will deliver increased value and returns for shareholders.

Shareholder Distributions

The Board of Serica is committed to a shareholder distribution policy which reflects the underlying performance and ambitions of the Company and so provides a good return to shareholders whilst also leaving room for investment in continuing asset growth. The total dividend for 2022 was 22 pence per share returning £76 million to shareholders. In November 2023 we paid an interim dividend of 9 pence per share. Subject to approval of shareholders at the Annual General Meeting in June 2024, we are proposing a final dividend of 14 pence per share, bringing the total dividend for the year to 23 pence per share. In addition, in response to the Board's view on the intrinsic value of the Company, we are today announcing a Share Buyback programme which will contribute to the shareholder distributions in respect of 2024.

Board and Management Changes

In February 2024, after many years of exemplary service within the Company and having played a leading role in the structuring and closing of the BKR acquisition, Andy Bell retired. I was then delighted to welcome Martin Copeland to the Board as the new Chief Financial



Officer. Martin has a wealth of highly relevant experience in the banking and M&A sectors and is a fine addition to the team. We are extremely grateful that Andy has stayed on to provide support to ensure a smooth transition of the CFO role.

Also in January, we announced that Mitch Flegg will step down from his role as CEO in April following publication of the 2023 results. Mitch is leaving the Company later this year after the AGM with our heartfelt thanks for all his excellent work over his six years as CEO and before that as COO. Amongst his many achievements, Mitch successfully managed the integration of the BKR assets and led the acquisition and integration of Tailwind in 2023. He will leave a Company in robust health positioned for future growth.

As previously announced, upon Mitch's departure I will move into the role of interim CEO during the search to identify and appoint a permanent CEO to lead the next phase of the Company's development.

After six years on the Serica Board, Malcolm Webb our Senior Independent Director, has informed the Board of his wish not to stand for re-election at

the AGM. As chair of the Nominations Committee, Malcolm will continue to lead the CEO recruitment process which is now at an advanced stage. It is anticipated that an announcement on the conclusion of this process will be made by the time of the AGM in June. The Board is very grateful for Malcolm's considerable contribution to the transformation of the Company over the last several years.

I wish to take this opportunity to record a special tribute to Tony Craven Walker, who retired as Chairman of the Board in June 2023. Tony is a legendary figure in the industry and the effective founder and creator of Serica as we know it today. It is not an overstatement to say that without Tony, Serica would not have survived, let alone thrived as it has. His was the inspiration behind the Erskine deal and the genius and determination behind the company-making BKR acquisition. But above and beyond all that, Tony inspired the commercial, operational and corporate aspirations of our Company. We continue to aspire to the high standards that he set. We are also so very pleased and honoured that he remains a substantial shareholder in the Company.

Finally, and on behalf of the Board I extend thanks to the Serica team, especially to all employees, whether based in Aberdeen, London or Offshore, for their efforts throughout the last year and the enthusiasm and professionalism which they bring to their work every day. Thanks also to colleagues working alongside us in our supply chain, whose partnership is a vital element of our continued success. And, last but not least, a thank you to all shareholders for your investment in and support for our Company, which I can assure you is greatly appreciated and which I and all at Serica will do our very best to justify.

David Latin

Chairman

23 April 2024





During 2023, Serica grew and diversified its business through acquisition, maintained its record of reserves replacement and prepared for significant new well programmes linked to its existing fields and infrastructure. These investments, to be carried out over the next twelve months, offer the prospect of additional near term production with minimal additions to total operating costs and carbon emissions.

In addition, the new financing facility brings increased capacity with duration extended to end 2029, strengthening Serica's capability to pursue further growth.

The acquisition of Tailwind Energy Investments Ltd, was completed in March 2023 and has provided operational diversity and scale for Serica. The net proforma production from the combined portfolio for 2023 was 40,121 boe/d, which was split 56% gas and 44% oil. This split between oil and gas is far more balanced than in 2022 when Serica's production was 91% gas.

Market benchmark gas prices were significantly reduced at an average of 99p/therm in 2023 compared with 198p/therm in 2022 (and have fallen to an average of only 69p in the first quarter of 2024). Oil prices were more resilient averaging US\$83/bbl (US\$101/bbl in 2022).

The Tailwind assets have therefore provided Serica with substantial protection against the significant fall in gas prices. 86% of Serica's production is operated and the Bruce, Keith and Rhum contribution is now around 50% of net production rather than 80% prior to the Tailwind transaction.

Serica has maintained its record of more than replacing reserves since 2018 with net Proved plus Probable ("2P") reserves on 31 December 2023 of 140 million boe,

up 10 million boe from 130 million boe at 31 December 2022 despite producing 14.6 million boe in 2023 on a proforma combined Serica and Tailwind basis. This addition of 24 million boe during 2023 represents a reserves replacement ratio of 179% with over 90% of the 2P reserves in fields that are already in production.

The Company is therefore continuing with its growth strategy of investment in projects designed to enhance and extend future production profiles. The Tailwind portfolio came with several short-cycle, highly value-adding opportunities which were matured in 2023 and will be exploited by our ongoing four well drilling programme which is also being undertaken with the benefit of the current capital allowances and with the resultant production sheltered by the ring-fence tax losses we acquired with Tailwind. This comprises wells on Bittern, Gannet E, Guillemot NW and Evelyn. We are now anticipating a fifth well, on the Belinda development, pending final NSTA approval of the field development plan. Following the success of last year's Light Well Intervention Vessel ("LWIV") programme on Bruce, a second campaign was executed in 2023, and a third campaign is now ongoing.

The common theme amongst these capital projects is that they are all designed to add production quickly from existing fields without the requirement for substantial

new infrastructure. We continue to focus on emissions reduction whilst maximising production. Carbon intensity (emissions divided by production) from the Bruce hub for 2023 was 16.4kgCO₂/boe, significantly lower than the average for offshore UK Facilities of 19.8 kgCO₂/boe. The absolute level of CO₂ emissions is approximately 27% lower than the 2018 benchmark levels. On Triton, the 2023 carbon intensity was 20.6kgCO₂/boe, which represents a reduction of roughly 20% from 2022. As new production from Serica's forthcoming drilling campaign will be tied back to existing offtake facilities, such additions add reserves without adding significant carbon emissions.

The UK remains heavily reliant on energy imports; our energy production is only 60% of demand and oil and gas comprise three quarters of our energy use. The growth of offshore wind, hydrogen and CCS will underpin the UK's net zero emissions future, but oil and gas will provide the bridge to that future.

Energy prices have fallen back to pre-crisis levels and are showing greater stability. This leads to lower costs for homes and businesses and lower overall inflation. The UK Energy Profits Levy ("EPL") has a significant impact on post-tax profitability for all UK oil and gas producers. The EPL is a wholly unwelcome burden that is already leading to the delay and cancellation of longer-

term investment projects across the sector. Current oil and gas prices do not represent windfall conditions for UK producers and the increased tax burden on domestic oil and gas production is damaging for UK jobs.

However, the substantial tax losses acquired with the Tailwind transaction have had the effect of lowering Serica's effective rate of taxation and so we are still attempting to add investment opportunities to the portfolio. In October we announced the award of Block 29/2a containing the decommissioned Kyle oil field. This field ceased production in June 2020 and the host FPSO at the time was subsequently removed. During an initial two-year licence period, Serica will carry out studies to determine the feasibility of re-developing the Kyle field by means of a subsea tie-back to the Triton FPSO vessel via the Bittern field facilities.

In November we announced the acquisition of a 30% non-operated interest in the Greater Buchan Area from Jersey Oil & Gas ("JOG"). The partners in the project are Serica Energy (UK) Limited (30%), NEO Energy (50% and operator) and JOG (20%). This provides Serica with the option of participating in the re-development of the Buchan field (formally re-named 'Buchan Horst') and other potential projects in the GBA, such as the development of the J2 and Verbier discoveries.

Given the challenging UK fiscal regime we continue to seek M&A opportunities elsewhere in the North Sea. For example, Norway offers a wide range of sub-surface opportunities and a relatively stable fiscal regime but less deal flow than UKCS. We are adopting a disciplined and patient approach exploiting Serica's technical skills, financial capacity and relationships.

Finally, this is my last 'CEO Review', and I would like to take the opportunity to thank everyone who has helped build Serica into what it is today. The support of shareholders, analysts, regulators, and contractors has been outstanding, but it is the efforts and skills of the exceptional workforce that has established a company with such strong operational and financial foundations. Serica is extremely well placed to continue its growth trajectory.

Mitch Flegg

Chief Executive Officer

23 April 2024

Leadership team supporting the Executive Directors



Mike Killeen

Chief Operating Officer



Stephen Lambert

VP Legal and External Relations



Clara Altobelli

VP ESG and Business Innovation



Ian Macauley

Commercial Manager



Danny Fewkes

Group Treasurer



Carol Stewart

Head of Operational Strategy and Performance



Fergus Jenkins

VP Technical



John Stockdale

General Counsel



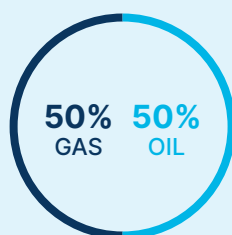
“Completion of the Tailwind acquisition in March 2023 represented a step change in the scale and diversification of Serica’s portfolio”

Mike Killeen
Chief Operating Officer

A Balanced and Diverse Portfolio with Growth Potential

200+

personnel offshore and onshore in Aberdeen and London



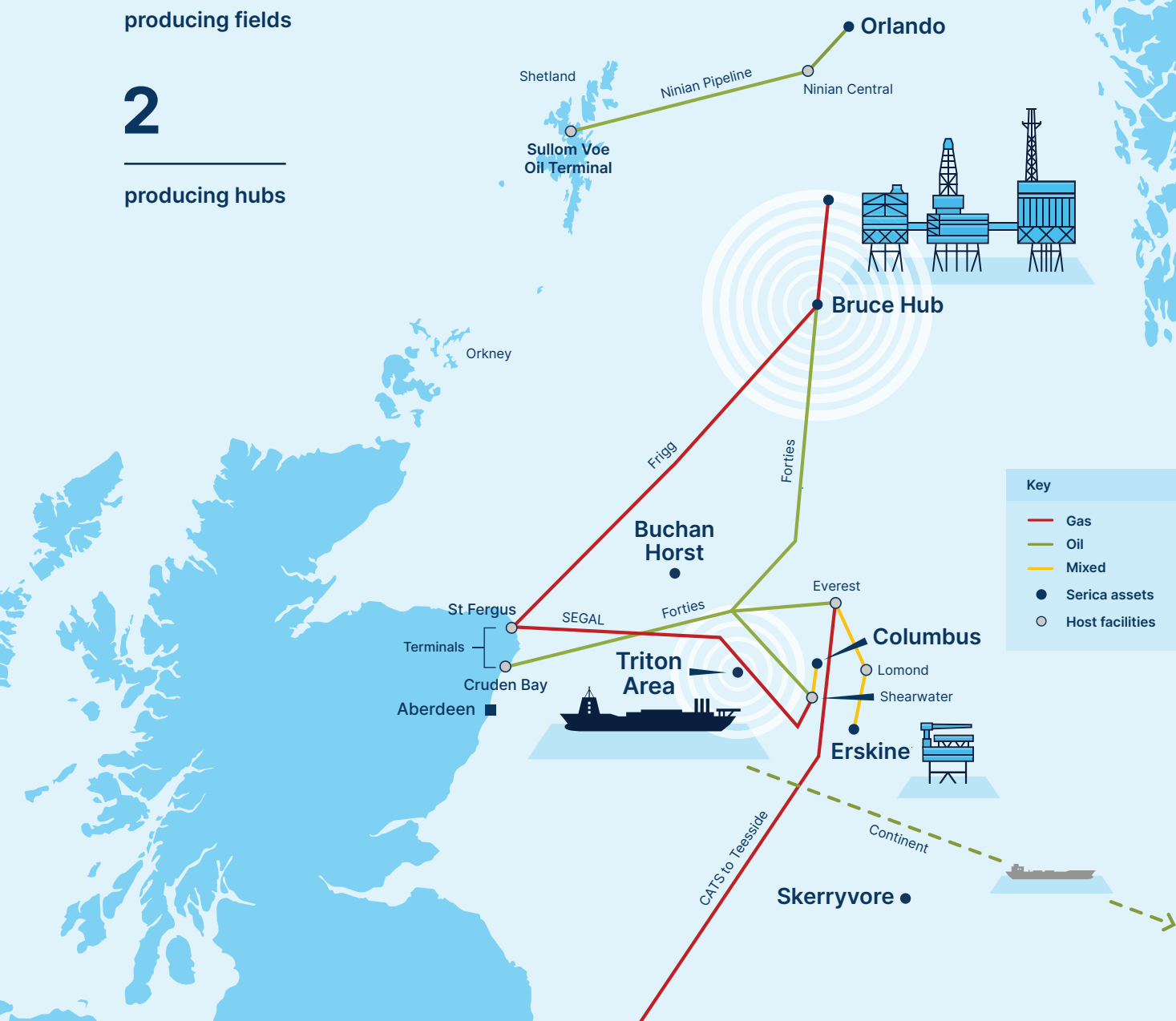
11

producing fields

2P reserves at
31 December 2023

2

producing hubs



REVIEW OF OPERATIONS

ACQUISITION OF TAILWIND

On 23 March 2023 Serica Energy completed the acquisition of Tailwind Energy Investments Ltd, a privately owned independent oil and gas company with assets in the UK North Sea. As part of the transaction, Mercuria – an investor in Tailwind – became a strategic investor in Serica.

The assets acquired by Serica with the Tailwind transaction comprise primarily a mix of operated and non-operated

producing fields tied-back to the Triton FPSO in the UK Central North Sea. Tailwind's interests in producing fields also include 100% in the Orlando field located in the UK Northern North Sea and a non-operated 25% in the Columbus field in the UK Central North Sea (operated by Serica).

The acquisition of Tailwind was aimed at achieving Serica's longstanding objective to have a more diverse and broadly based UKCS portfolio of producing fields, with material reserves

and value upside potential, coupled with a more balanced exposure to commodity price risk. The transaction represents substantial progress towards this objective with the number of producing fields increased from five to eleven, mainly centred around two hubs (Bruce and Triton), a substantial increase in 2P reserves and a balance of gas and oil production.

Production

Northern North Sea:

Bruce Field – Blocks 9/8a, 9/9b and 9/9c, Serica 98% and operator

Serica operates the Bruce field and facilities consisting of three bridge-linked platforms, wells, pipelines and subsea infrastructure. The platforms contain living quarters, 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 western part of the Bruce field and is tied back to the existing facilities.

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 NGLs. Oil is exported through the Forties Pipeline System to Grangemouth.

In the first half of 2023 Serica completed the replacement and upgrade of the control system for the Bruce platform, increasing the amount of data that can be captured and processed, helping us to unlock the ability to implement AI based improvements to our control, monitoring and maintenance activities.

We also successfully carried out the replacement of the subsea control modules on the WAD manifold to support the LWIV activity which took place in Q3 2023 and which will support ongoing LWIV activities in the future.

On the platform topsides a series of surveillance and intervention activities was undertaken on a number of the Bruce wells, verifying well integrity, identifying future production options and implementing several simple interventions to boost production.

Major works were undertaken during the summer outage to replace the main platform flare tip, 140 metres above the sea surface requiring a heli-lift, along with major overhauls of the glycol system and a booster compressor. The extensive maintenance campaigns were all integrity and reliability focussed helping to underpin the plans to extend Bruce production to 2035+. The programme duration was extended to approximately two months following inspection findings on the flare tower during the planned work. The decision was taken to carry out permanent rather than temporary repairs. These repairs at height were hampered by bad weather, delaying the return of Bruce and Rhum to production.

The 2023 LWIV campaign comprised work on the Bruce M3, M6 and M4 wells including scale removal, water shut-off, reperforation and the addition of new perforations. The programme was successfully executed boosting overall Bruce production capability. A further LWIV campaign, covering two Bruce wells, commenced in April 2024.

Bruce field production in 2023, which averaged circa 6,500 boe/d of oil and gas net to Serica (2022: 6,900 boe/d) was impacted by the extended summer shut-in.

An independent reserves report by RISC estimated 2P reserves of 41.7 million boe net to Serica as of 1 January 2024 (2023: 31.8 million boe). This represents a significant uplift in reserves compared to year end 2022 and not withstanding 2023 production. This is predominantly attributed to the maturation of the South Central East infill well from contingent resources, the inclusion of an eight-well platform intervention campaign for 2024 and also a performance uplift observed in certain producing wells. This was partially offset by deferral of the Bruce enhanced recovery project so as to prioritise these other projects.



Northern North Sea:

Keith Field – Block 9/8a, Serica 100% and operator

Keith is an oil field produced by one subsea well tied back to the Bruce facilities and requires very little maintenance. In normal operation Keith produces at a relatively low rate but provides a low-cost contribution to the oil export from Bruce. The well has been shut-in since 2022 due to a fault in the electrical supply.

During 2023 the Keith subsea control module was changed out to allow the planned LWIV intervention in Q2 2024 to restore production from the field.

An independent reserves report by RISC estimated 2P reserves of 3.2 million boe net to Serica as of 1 January 2024 (2023: 2.4 million boe). These reserves are based upon the 2023 activities and planned LWIV programme in Q2 2024.

Northern North Sea:

Rhum Field – Blocks 3/29a, Serica 50% and operator

The Rhum field 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 CO₂ content than Bruce gas and so is blended with Bruce gas before leaving the offshore facilities.

A new power umbilical was installed on the R1 well in March 2023 and further works to remove power supply vulnerabilities to Rhum were carried out in the summer. Topsides works in the first half of the year increased the throughput limits of the Rhum separator creating more capacity for any future production increases.

Average Rhum field production in 2023 was circa 12,500 boe/d net to Serica compared to 15,700 boe/d for 2022, largely reflecting the impact of the extended summer maintenance shut-in.

An independent reserves report by RISC estimated 2P reserves of 39.2 million boe net to Serica as of 1 January 2024. The uplift in reserves compared to 36.4 million boe at year end 2022, and notwithstanding 2023 production, is predominantly attributed to the inclusion

of a planned project later in field life to convert compression on the Bruce platform to low pressure operations.

Northern North Sea:

Orlando Field – Block 3/3b, Serica 100% and operator (acquired from Tailwind)

Serica is operator of Orlando which is an oil field producing from a single subsea well tied into the Ninian Central facilities through an 11km pipeline. Orlando production is separated into gas and oil, with oil exported to the Sullom Voe Terminal and gas used by the Ninian operator as fuel on the platform.

Orlando produced steadily in 2023, following a workover in 2022 to replace the dual electric submersible pumps. During 1H 2023, there were some minor outages for repairs to some topsides electrical cables.

Average Orlando field production in 2023 was circa 3,500 boe/d including downtime. Average net production for the post-Tailwind acquisition period from 23 March to 31 December was 3,540 boe/d.

An independent reserves report by RISC estimated 2P reserves of 2.4 million boe net to Serica as of 1 January 2024 compared to 3.4 million boe reported by ERCE in an independent reserves report for Tailwind at end 2022.

Northern North Sea:

Mansell – Block 3/8g, Serica 100% and operator (acquired from Tailwind)

The Mansell discovery is located in licence P2448 in UKCS Block 3/8g south and east of the Ninian field. Mansell was discovered by well 3/8b-10, drilled by BP in 1985, and following successful appraisal was developed as a subsea tieback to the Ninian South Platform and produced between 1992 and 1995 (field was then named Staffa). The field was shut in 1995 following waxing-up of the flowline and decommissioned. The Mansell field has 2C contingent resources of 8.3 million boe net to Serica. An extension of 2 years was awarded by the NSTA in February 2023 to allow sufficient time to evaluate the feasibility and timing of a redevelopment.

REVIEW OF OPERATIONS continued

Production continued

Central North Sea:

Triton Area - Bittern 64.63%, Evelyn 100%, Gannet E 100%, Guillemot West & North West 10%, Belinda 100% (Serica % shares all acquired from Tailwind)

The Triton Area consists of eight producing oil fields Bittern, Evelyn, Gannet E, Guillemot West and Guillemot North West, Clapham, Pict and Saxon. Serica holds equity in five as listed above, as well as the undeveloped Belinda field. The Triton area fields were developed via common subsea infrastructure, located approximately 190km east of Aberdeen in water depths of approx. 90 metres. The fields produce oil and gas via the Triton Floating Production Storage & Offloading ("FPSO") vessel. Dana Petroleum Limited ("Dana") and Waldorf Production UK Limited ("Waldorf") are our partners in the Triton cluster. Dana operate the Triton FPSO along with the Bittern, Guillemot West/North West, Clapham, Saxon, and Pict fields. Serica is operator of the Gannet E, Evelyn and Belinda fields, with Dana as pipeline operator and Petrofac as well operator.

Well GE04 on the Gannet E field was drilled and completed in Q4 2022 with a subsea tie-in to the Triton system completed during early 2023. First oil was achieved on 14 February 2023, with initial rates around 9,000 boe/d. By the end of 2023, the well had produced a total of approx. 1.34 million boe with a year-end exit rate of 6,000 boe/d.

From early July to mid-September 2023, Dana carried out an extended shutdown on Triton, supported by a six month walk-to-work campaign, which involved a vessel stationed alongside Triton to provide additional personnel on site during the fair-weather summer months so enabling additional work scopes. Critical activities completed were fabric maintenance work scopes integral to the life extension of Triton, completion of structural repairs, an upgrade to the Guillemot West separator and successful repair to the Bittern water injection pipeline. Further work was completed on the distributed Triton control system, which is planned to have been replaced fully by the end of 2024, following replacement work which was phased across the 2022 and 2023 shutdowns. The length of the

2023 summer shut-down was extended to carry out an essential repair on a piece of equipment identified during a pre-production inspection, a seawater lift pump failure and initial difficulties operating the upgraded FPSO control systems. These issues were each successfully resolved.

Production from Gannet E and Evelyn averaged 6,100 boe/d and 3,800 boe/d respectively (Serica net) in 2023. Bittern field production was steady at rates averaging circa. 4,000 boe/d (Serica net) and Guillemot West / North West at circa. 250 boe/d (Serica net). Triton gross peak rates exceeded 30,000 boe/d in March 2023 for the first time in 10 years. Two Guillemot West well workovers were completed in July 2023 and came on stream averaging 3,200 boe/d gross (320 boe/d Serica net).

A four well programme is planned for execution in 2024 and has already started with the Bittern B1z sidetrack. This will be followed by the Gannet E fifth well, a Guillemot North West infill well and an Evelyn second well. These wells will be drilled using the COSL Innovator semi-submersible rig.

Enhancing production with a subsurface-led revitalisation of the Triton Area

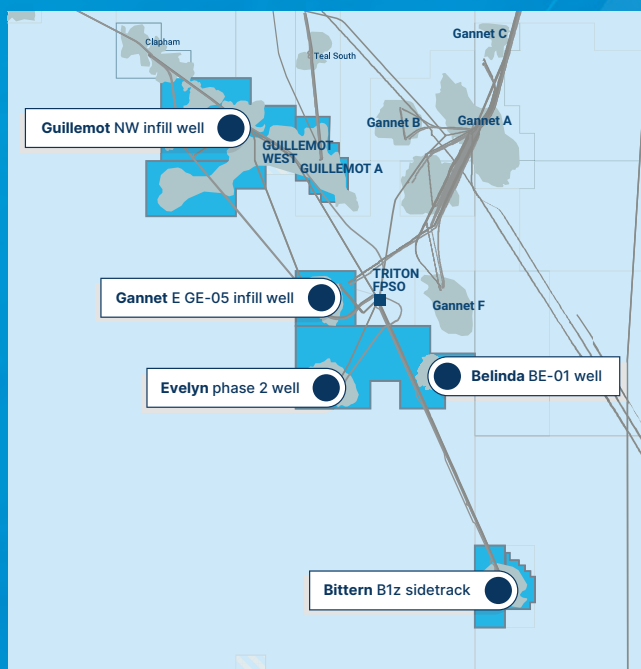


"In recent years, a significant subsurface work programme, underpinned by good quality 3D and 4D seismic data has led to a remodelling of all fields in the Greater Triton Area, resulting in the identification of a number of infill drilling opportunities.

Three of these were executed between 2020 and 2022 and we are now embarking on an exciting five well programme for 2024 and 2025. These wells, drilled across five different fields, will continue the revitalisation of the Triton Area and extend production into the 2030s".

Rich Hiney

Subsurface Manager



In April 2024 Serica took a final investment decision on the Belinda development. Consent to the project has been received from OPRED and NSTA approval of the final Field Development Plan ("FDP") is expected shortly. Serica proposes to use the COSLInnovator to drill the Belinda development well during 1H 2025 having exercised the option for an additional 5th well in the current Triton area drilling campaign in September 2023.

Serica's average net share of Triton Area production in 2023 was circa 14,150 boe/d of oil and gas. Average net production for the post-Tailwind acquisition period from 23 March to 31 December 2023 was 13,120 boe/d.

An independent reserves report by RISC estimated 2P reserves of 49.2 million boe net to Serica as of 1 January 2024 compared to 49.4 million reported by ERCE in an independent reserves report for Tailwind at end 2022. The uplift in reserves compared to the prior year, after taking account of 2023 production of approx. 5.2 million boe, is predominantly attributed to the transfer of volumes associated with the Belinda development from contingent resources to reserves and better than expected performance from the fourth production well on the Gannet E field which came into production during 2023.



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%.

The Erskine field has five production wells and produces oil and gas over the Erskine normally unattended installation. This is transported via a multiphase pipeline and processed on the Lomond platform which is 100% owned and operated by Harbour. 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 terminal at Teesside.

In 2023 Erskine produced steadily from the four currently available wells. Topsides surveillance of the W1 well was undertaken in Q3 2023 in readiness for carrying out a MODU (semi-submersible) rig-based intervention in 2024 to return the well to production. The regular pigging programme on the condensate export line has continued and no indications of wax build-up have been seen.

Erskine production levels in 2023 averaged 1,325 boe/d net (2022: 1,680 boe/d).

An independent reserves report by RISC estimated 2P reserves of 2.2 million boe net to Serica as of 1 January 2024 (2023: 3.3 million boe).

Central North Sea:
Columbus Field – Blocks 23/16f and 23/21a (part), Serica 75%

Serica Energy (UK) Limited is Operator with its partner Waldorf Production Limited ("Waldorf") (25%). Following the acquisition of Tailwind Mistral Limited by the Serica group on 23 March 2023, the Serica group's net interest in Columbus increased from 50% to 75%.

The Columbus field development consists of a single horizontal well which runs along the central axis of the reservoir and was drilled in the spring of 2021 with production commencing in November 2021. Columbus is a gas condensate field.





Production continued

The well is connected to the Arran export pipeline through which Columbus products are exported along with Arran field production. When production reaches the Shearwater platform, it is separated into gas and condensate. The gas is exported to St Fergus via the SEGAL line and the condensate to Cruden Bay via the Forties Pipeline System.

Average net Columbus production of gas and condensate in 2023 for Serica's combined 75% interest was c. 2,180 boe/d (2022: 1,900 boe/d for 50% interest).

Average net production for the Group's combined 75% interest in the post-acquisition period from 23 March to 31 December 2023 was c. 2,085 boe/d.

An independent reserves report by RISC estimated 2P reserves of 2.4 million boe net to Serica's 75% field interest as of 1 January 2024 (2023: 1.1 million boe for 50% interest, equivalent to 1.7 million boe on a 75% basis). The uplift in reserves compared to the prior year, and before 2023 production is taken into account, is predominantly attributed to better than expected performance from the Columbus well.

Development

Outer Moray Firth:

**Buchan Horst Field – Blocks 20/5a, 20/5b, 20/5e, 21/1a & 21/1d.
Serica 30%**

In November 2023 Serica announced the acquisition of a 30% working interest in the Greater Buchan Area ("GBA") licences P.2498 and P.2170 with co-venture partners Jersey Oil and Gas (20%) and NEO Energy (50% and operator). The GBA encompasses several oil and gas accumulations some 150 km north-east of Aberdeen. The largest of these accumulations is the Buchan Horst field which produced for over thirty years, ceasing production in 2017 owing to the end of the useable life of the floating production facility.

An FDP submitted to the NSTA for the re-development of the area assumes a new production hub located at the Buchan Horst field utilising the FPSO vessel currently operating on the UK Western Isles fields. This is planned to come off-station in the second half of 2024.

A phased development is envisaged involving the re-development of the Buchan Horst field in Phase 1 and the possible development of the J2 and Verbier discoveries in Phase 2. Mid-case contingent resources from the Buchan Horst field alone are estimated to be in region of 70 million boe gross, making it the third largest pre-development field on the UKCS. Owing to the completion of the acquisition of the interest in GBA in February 2024, contingent resource estimates have not been independently verified as part of the RISC competent persons report for year-end 2023.

There are other discoveries and prospects in close proximity which may provide additional tie-back opportunities to the FPSO. Subject to project sanction and regulatory approval, the target for first production from Buchan Horst is Q4 2026.

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 P.2501 Licence as part of an out of round application comprising Blocks 3/24c and 3/29c including the North Eigg and South Eigg prospects.

The 3/24c-6B North Eigg exploration well was drilled to a depth of 5,099 metres in the Jurassic Heather formation, completing in early 2023. Following detailed interpretation of the well results, Serica decided there was insufficient accessible oil to justify re-entering the suspended well and drilling a sidetrack. After consultation with the NSTA, Serica elected to go into the second term of the P.2501 Licence for the purpose of completing the decommissioning of the North Eigg well. Only the area immediately around the well necessary for the abandonment was retained with the remainder of the block being relinquished. In late 2023 a vessel-based abandonment of the North Eigg exploration well was completed and the licence will be relinquished in 2024.

Skerryvore and Ruvaal – Blocks 30/12c, 30/13c, 30/17h, and 30/18c, Serica Energy (UK) Limited: 20% working interest, operator Parkmead

The P2400 Licence was awarded in the 30th licence round in 2018. It is located in the Central North Sea, 60km south of the Erskine field, and comprises blocks 30/12c, 30/13c, 30/17h and 30/18c. Current equity holders are Serica 20%, Parkmead 50% (operator) and CalEnergy 30%. The licence is in phase C, which expires on 30 September 2025. The licence terms include a commitment to drill a well to a depth of 3,500 metres or 200 metres into the Chalk Group, whichever is shallower, by the end of the current phase. The Operator has proposed a vertical well targeting the Mey reservoir (primary target) and a deeper Tor chalk reservoir (secondary target). Detailed planning is underway with a site survey scheduled for Q3 2024 and drilling in 2025.

In the region around Skerryvore, Harbour is progressing with the Talbot development, with drilling ongoing and first oil expected from Q3 2024. In a Skerryvore success case, Talbot infrastructure could provide an export route via the Judy platform and the subsequent export of produced hydrocarbons to Teesside, UK.

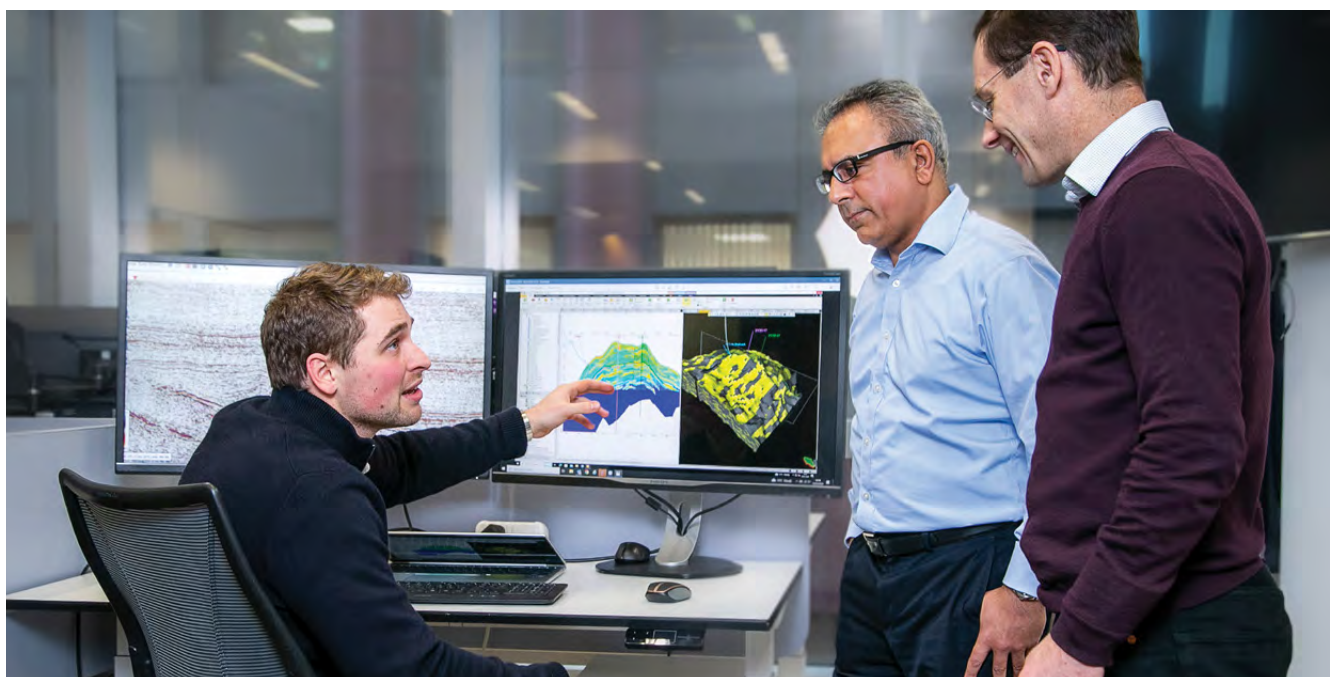
Licence Awards in the UK 32nd licensing round

The P2506 Licence was awarded to Serica 100% in the 32nd Licence Round in 2020 and covered blocks in the greater Bruce/Rhum area. Following a detailed subsurface evaluation in 2023, it was concluded that the prospectivity did not meet Serica's investment criteria, and the licence has now been fully relinquished with all work commitments fulfilled.

Licence Awards in the UK 33rd licensing round

On 30 October 2023 the Kyle licence in UK block 29/2c was provisionally awarded to Serica (100%) and was formalised as licence P.2616 on 31 January 2024. Kyle is a previously producing oil field, 20km southeast of Triton and represents a potential redevelopment tie-back to existing Serica equity infrastructure. Studies are underway in order to determine whether there is a viable project. There are no other work commitments.

This is a 'Straight to Second Term' licence and the work programme is already underway.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

Our investment in improving ESG awareness throughout the business and building environmental concerns into our decision-making combined to make 2023 a year of significant emissions reductions on our Bruce facilities

Clara Altobelli
VP ESG and Business Innovation



One of the major contributors to our reductions in our Scope 1 emissions occurred during an important maintenance campaign, where we made the decision to install a temporary power unit that used much lower volumes of diesel and slashed our emissions.

Our commitment in 2023	Outcome
Total flare below 5,000 tonnes	4,708 tonnes
Scope 1 CO ₂ emissions below 200,000 tonnes	179,447 tonnes

We comfortably achieved both our emissions and flaring targets for the year and in other key ESG metrics, including carbon intensity and oil-in-water, we also had our best year-to-date.

We continue to include ESG-related targets for Serica operated facilities in the company-wide staff remuneration scheme. Our 2024 ESG bonus-related target for the Bruce facilities is to further reduce their Scope 1 carbon intensity, to 15.5 kgCO₂/boe, which will be our lowest level ever.

In 2023 we stepped up our efforts on methane reduction by joining OGMP 2.0, the UN’s flagship oil and gas reporting and mitigation programme. We have already begun our journey towards gold standard status and, as part of our membership, we developed a Methane Action Plan, kicking off with aerial methane surveys of our Bruce facilities. Another innovation contributing to the 17% reduction in our emissions, was the isolation of a vent line in our glycol unit, which resulted in diverting gas away from the vent line to be processed instead.

Reinstatement of a water injection well dedicated to eliminating oil in water over-boarding was completed in April 2023.

Following our acquisition of Tailwind Energy, we integrated the Triton area and Orlando assets into our portfolio. As these assets are not under our direct control their emissions are classified as ‘Scope 3’. We use our influence to help the operators to find better ways to monitor and reduce emissions. We have participated in partner workshops and shared best practice and knowledge to help the operators to develop their own Emissions Reduction Plans.



Serica has been actively involved in industry-wide initiatives to reduce emissions from oil and gas production, including:

- the Atmospherics group of Offshore Energies UK,
- the NSTA Emissions Reduction Group and
- the Technology Leadership Board.

The Company’s commitment to research into delivering cleaner energy continues, including investment in research into flare gas combustion, alternative fuels and offshore electrification, also supporting research and development of wave energy technology.

Serica now has just over 200 employees and we empower them to give back to their communities by participating in activities relating to charity, diversity and inclusion and education. During 2023 we stepped up our education outreach, partnering with schools and universities in educational events, offering paid summer placements and apprenticeships and sponsoring a university team in their design of a solar-powered racing car. To help young people in their career preparation we became a Young Persons Guarantee employer. Our charitable work drew together many members of staff on and offshore, in Aberdeen and London, supporting causes close to their hearts like mental health and support for people with cancer.

Many ex-Services personnel join our industry and become highly-valued colleagues. With this in mind, we founded an Armed Forces Support Group, and were proud to be awarded silver status from the Armed Forces Covenant. During the year we instigated the foundation of an industry-wide forum which is now gathering momentum.



“Installing a temporary power system during our maintenance campaign helped reduce our emissions and carbon intensity”

Our Board

Strong and effective governance is bolstered by the experience of the Board. During 2023 we welcomed five new Board members, increasing the number of independent non-executive directors to broaden both its diversity and experience. We set up a dedicated Sustainability Committee to focus on ESG-related risks and opportunities and to enhance sustainability governance. Serica is a signatory to the UN Global Compact and aligns with TCFD reporting recommendations.

Greenhouse Gas Emissions disclosure

We are aligned to the North Sea Transition Deal, a deal backed by the UK Government and industry to reach a net-zero UKCS basin by 2050, with targets to reduce CO₂ emissions by 10% by 2025, 25% by 2027, 50% by 2030 and 100% by 2050 from a 2018 baseline. To meet these targets, we have developed and begun to implement our Emissions Reduction Action Plan (ERAP), which sets out the projects that we need to implement to lower our emissions from the Bruce Platform. At the end of 2023, our Scope 1 emissions had fallen by over 20% compared to 2018.

Our Scope 1 emissions are those generated by the Serica operated Bruce facilities to provide power and compression to produce and export oil and gas from the Bruce, Keith and Rhum fields. This includes fuel gas usage, diesel, flared and vented gas. The company does not own any vehicles.

The Bruce facilities qualifies for the UK Emissions Trading Scheme and so our emissions are reported, audited and verified based on this scheme. In 2023 our UK ETS emissions were 179,447 tonnes of CO₂, a reduction compared to our 2022 emissions which were 218,567 tonnes. Energy consumption on Bruce in 2023 was 835 GWh compared to 1,017 GWh in 2022. Carbon intensity, which is CO₂ emissions divided by production, was 16.36 kgCO₂/boe in 2023, which is similar to 2022's carbon intensity of 16.37 kgCO₂/boe.

Much of the reduction in emissions compared to 2022 was due to an extended maintenance shutdown in the summer, which reduced the number of days the platform was operational and its associated emissions. However, emissions during the shutdown were actively reduced by installing a new Temporary

Power unit which saved approximately 5,500 tonnes of CO₂ compared to using the incumbent power generators. This project was the first item in our ERAP to be implemented.

Scope 2 emissions make up less than 0.01% of our total emissions and refer to the indirect GHG emissions generated from purchased or acquired electricity, steam, heat, and cooling (GHG Protocol). We calculate this by taking the electricity invoices for our London and Aberdeen offices and converting the energy usage (KWh) into CO₂e using conversion factors set out in the "Greenhouse gas reporting: conversion factors 2023" (Department for Energy Security and Net Zero, 2023). Using the location-based method, our total Scope 2 emissions totalled 43 tonnes of CO₂e in 2023. Following the acquisition of Tailwind Energy, we took over the use of their office, whose energy provider supplied the office with 100% renewable energy. Using the market-based method, our Scope 2 emissions came to 24 tonnes of CO₂e.

Our 2023 ESG report publishes alongside an annual report, providing a detailed data book comparing our Scope 1, 2 and 3 emissions with previous years.



This year's report provides greater detail on emissions reduction activities and statistics as well as our plans for 2024. We have elected to report in more depth than ever before, reflecting our principles of transparency and accountability.

GROUP PROVED PLUS PROBABLE RESERVES ("2P")

	Oil mmbbl	Gas bcf	Total oil and gas ¹ mmboe
2P Reserves at 31 December 2022	18.7	337.4	76.9
Acquisitions ²	44.5	44.7	52.2
2023 production ²	(4.9)	(42.9)	(12.3)
Revisions	11.3	70.8	23.5
2P Reserves at 31 December 2023	69.6	410.0	140.3

1 Group reserves at 31 December 2023 above show Serica net sales values which have been converted to barrels of oil equivalent using a factor of 5.8 bcf per mmboe for reporting and comparison purposes. Group reserves at 31 December 2022 were previously converted to barrels of oil equivalent using a factor of 6.0 bcf per mmboe for reporting and comparative purposes. The opening combined reserves figure for 31 December 2022 in the table above has been restated using 5.8 bcf per mmboe. As the actual calorific values of gas produced from individual fields varies, reported production rates for each field and the total production and revisions numbers reported above may not convert precisely.

2 Production from the Tailwind fields from the acquisition date of 23 March 2023 is included within '2023 production'.

Group Proved and Probable reserves at 31 December 2023 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").


Figures quoted relate to export fluids, so Fuel in Operation has already been subtracted.

LICENCE HOLDINGS

The following table summarises the Group's licences as at 31 December 2023.

Licence	Block(s)	Description	Role	%	Location
UK					
P090	9/9a Bruce	Bruce Field Production	Operator	99%	Northern North Sea
P090	9/9a Rest of Block Excluding Bruce (REST)	Development	Operator	98%	Northern North Sea
P198	3/29a (ALL)	Rhum Field Production	Operator	50%	Northern North Sea
P209	9/8a Bruce	Bruce Field Production	Operator	98%	Northern North Sea
P209	9/8a Keith	Keith Field Production	Operator	100%	Northern North Sea
P209	9/8a Rest of Block Excluding Bruce and Keith (REST)	Development	Operator	98%	Northern North Sea
P276	9/9b BRUCE	Bruce Field Production	Operator	98%	Northern North Sea
P276	9/9c (ALL)	Bruce Field Production	Operator	98%	Northern North Sea
P276	9/9b Rest of Block Excluding Bruce Unit (REST)	Development	Operator	98%	Northern North Sea
P566	3/29b (ALL)	Rhum Field non-unitised production	Operator	100%	Northern North Sea
P975	3/24b (ALL)	Rhum non-unitised production	Operator	100%	Northern North Sea
P975	3/29d (ALL)	Rhum non-unitised production	Operator	100%	Northern North Sea
P101	23/21a Columbus	Columbus Development Area	Operator	75%	Central North Sea
P1314	23/16f	Columbus Development Area	Operator	75%	Central North Sea
P57	23/26a Area B	Erskine Field – Production	Non-operator	18%	Central North Sea
P264	23/26b Area B	Erskine Field – Production	Non-operator	18%	Central North Sea
P264	23/26b Area C	Erskine Field – Production	Non-operator	40%	Central North Sea
P2400	30/12c, 30/13c, 30/17h, 30/18c	Exploration	Non-operator	20%	Central North Sea
P2501	3/24c, 3/29c	Exploration	Operator	100%	Northern North Sea
P215	21/29b	Guillemot W	Non-Operator	50%	Central North Sea
P233	29/1a Bittern	Bittern	Operator	100%	Central North Sea
P361	29/1b	Bittern	Non-Operator	29.26%	Central North Sea
P13	21/30c A	Gannet E	Operator	100%	Central North Sea
P13	21/25a UPPER , 21/30a UPPER	Gannet E	Non-operator	50%	Central North Sea
P1606	3/3b	Orlando	Operator	100%	Northern North Sea
P1792	21/30f	Evelyn/Belinda	Operator	100%	Central North Sea
P2170	20/5b, 21/1d	Greater Buchan Area ¹	Non-operator	30%	Central North Sea
P2448	3/8g	Mansell/Staffa	Operator	100%	Central North Sea
P2498	20/5a, 20/5e, 21/1a	Greater Buchan Area ¹	Non-operator	30%	Central North Sea
P2616	29/2c	Kyle	Operator	100%	Central North Sea

¹ Acquisition completed on 26 February 2024

A portrait of Martin Copeland, a middle-aged man with grey hair and a beard, smiling. He is wearing a light blue button-down shirt. His arms are crossed, and he is wearing a smartwatch on his left wrist. The background is a blurred office interior.

“I am honoured to have succeeded Andy Bell as Serica’s CFO and inherited his legacy of a company with a robust balance sheet and track record of prudent financial management, smart M&A and the delivery of attractive shareholder returns”

Martin Copeland
Chief Financial Officer

Summary of 2023 Financial Results

In addition to continuing strong performance from its existing assets, Serica's 2023 results benefitted from inclusion of net production and income from the Tailwind field interests from the acquisition completion date of 23 March 2023 to the year end. In order to provide a more representative picture of the enlarged group, unaudited proforma information ("PF 2023") in relation to volumes, revenues and costs including contributions from the Tailwind assets for the full calendar year, has been included in this Financial Review.

Further analysis of the summary metrics provided in the Summary Financial Information table below is detailed in the following pages of this Financial Review.

Summary Financial Information	Units	PF 2023	FY 2023	FY2022
Production and pre hedging, post contract sales realised prices				
Production	kboepd	40.1	35.2	26.2
Sales volumes	mmboe	14.2	12.3	9.3
Natural Gas (net of NTS system charges)	p/th	94.3	93.3	160.0
Crude Oil	\$/Bbl	67.5	70.5	97.2
NGLs	£/MT	364	363	480
Income Statement				
Revenue	£ million	728	633	812
EBITDAX ¹	£ million	n/a	381	617
Profit before taxation	£ million	n/a	306	488
Profit after taxation	£ million	n/a	103	178
Basic earnings per share	pence	n/a	29	65
Other key financial figures				
Capital expenditure ¹	£ million		79	98
Operating cashflow	£ million		378	705
CFFO less current tax ¹	£ million		195	427
Dividends paid	£ million		89	46
Adjusted Net Cash/(Debt)	£ million		78	433

¹ See Reconciliation of non-IFRS measures for further detail.





Incorporating the business assets from the Tailwind acquisition, Serica today has a balanced mix of oil and gas and greater production resilience arising from a wider asset spread. The Group balance sheet at 31 December 2023 reflects the full set of assets and liabilities arising from the business combination, which include a reserve-based lending ("RBL") facility assumed through the Tailwind acquisition, which has subsequently been refinanced as a post Balance Sheet event.

Market sales prices for oil and, to a greater extent, gas were lower than for the 2022 year with NBP gas prices averaging 99p/th (2022: 198p/th) and Brent crude averaging US\$83/bbl (2022: US\$101/bbl). Total operating costs increased broadly in line with production volumes but with an additional impact from inflation over the year. Importantly FY 2023 saw the full impact of the EPL with a marginal ring-fence aggregate tax rate of 75% as compared to 40% for the initial months of 2022, increasing to 65% for the period from 26 May 2022.

Serica generated EBITDAX of £381.0 million compared to £616.5 million for 2022 and a profit before taxation of £305.6 million for 2023 compared to £488.2 million for 2022. After current and deferred tax provisions of £202.6 million (2022: £310.4 million), profit for the year was £103.0 million compared to £177.8 million for 2022.

Further detail is provided in the following sections.

Sales revenues

Revenue (pre hedging)	Units	PF 2023	FY 2023	FY 2022
Total revenue	£ million	728	633	812
Gas Sales (incl contract revenue)	£ million	358	347	690
Crude Oil	£ million	349	265	88
NGLs	£ million	21	20	34

The total 2023 sales revenue of £632.6 million (2022: £812.4 million) included a contribution of £242.6 million from the Tailwind assets from the acquisition date of 23 March 2023 (2022: £nil). Proforma 2023 sales revenue on the same basis would have been £728.0 million.

Sales comprised gas revenue of £346.7 million (2022: £690.2 million), oil revenue of £265.5 million (2022: £88.0 million) and NGL revenue of £20.4 million (2022: £34.2 million). The fall in gas revenue was driven by lower realised pricing compared to the unprecedented highs of 2022 whilst the threefold increase in oil revenue reflected new revenue streams from the oil-weighted Tailwind portfolio, offset partially by lower oil prices.

Total product sales volumes for the year comprised approximately 371 million therms of gas (2022: 432 million therms), 4.7 million lifted barrels of oil (2022: 1.1 million barrels) and 56,312 metric tonnes of NGLs (2022: 71,290 metric tonnes). This amounted to product sales as reported of 12.3 million boe or 14.2 million boe on a proforma basis (2022: 9.1 million boe).

Average 2023 sales prices were: 93 pence per therm (2022: 160 pence per therm including contract revenue) for gas net of NTS system fees, US\$70.5 per barrel (2022: US\$97.2 per barrel) for oil and £363 per metric tonne (2022: £480 per metric tonne) for NGLs. Average oil and gas sales prices reflect a mix of sales volumes sold at current spot prices and volumes sold at contracted fixed prices (reflecting an embedded hedge for volumes sold under such contracts) and are before realised hedging costs on gas price swaps.

Gross profit

The gross profit for 2023 was £306.6 million compared to £594.3 million for 2022. Overall cost of sales of £326.1 million compared to £218.2 million for 2022. This comprised £218.7 million of operating costs (2022: £121.0 million) and £109.2 million of non-cash depletion charges (2022: £76.9 million).

Operating costs	Units	FY 2023	FY 2022
Cost of sales	£ million	326	218
Field operating costs	£ million	219	121
Lifting costs	£ million	7	–
DD&A	£ million	109	77
Movement in over/underlift	£ million	(9)	20

The increase in overall operating costs reflected higher production volumes for the enlarged business. Operating costs as reported per boe were US\$21 per boe, increased from US\$15.9 per boe for 2022 mainly due to the impact of the extended summer field shut-ins which spread fixed costs over reduced production volumes and some underlying cost inflation. Proforma operating costs, including the Tailwind assets from 1 January, were lower at circa US\$19 per boe. These increases were partially offset by a £9.3 million credit representing an increase during the year of the liquids underlift position (2022: charge of £20.3 million). The increase in total DD&A reflected the larger PP&E base following the Tailwind acquisition.

EBITDAX, operating profit before net finance costs and tax

EBITDAX for 2023 was £381.0 million compared to £616.5 million for 2022 with the reduction very much in line with lower commodity prices and revenues.

Operating profit to EBITDAX ¹	Units	FY 2023	FY 2022
Operating profit	£ million	321	476
Add back DD&A	£ million	109	77
Add back E&E costs	£ million	11	83
Deduct unrealised hedging	£ million	(20)	(21)
Deduct contract revenues	£ million	(24)	–
Add back/(deduct) transaction costs and other	£ million	14	(2)
Add back share based payments	£ million	4	4
Deduct gain on acquisition	£ million	(34)	–
EBITDAX¹	£ million	381	617

¹ See Reconciliation of non-IFRS measures for further detail

The operating profit for 2023 was £321.2 million compared to £476.2 million for 2022 and includes a gain on acquisition of £34.0 million on the Tailwind transaction (2022: £nil).

Net hedging income of £4.8 million (2022: £24.5 million expense) comprised realised hedging expense, primarily related to gas swaps, of £15.6 million during 2023 (2022: £45.4 million expense) as well as unrealised hedging gains of £20.4 million (2022: gains of £20.9 million), mainly arising from the movement in valuation of Serica's 2022 year-end gas swap position as it fully unwound during the year.

Contract revenue of £23.9 million (2022: £nil) arose from the partial unwind of an underlying revenue offtake contract that was fair valued in connection with the Tailwind acquisition (see note 16). An original liability of £54.2 million was recognised which is released to the Income Statement across 2023 and 2024 as the underlying contract unwinds.

Exploration expenses and asset write-offs totalled £10.8 million in 2023 (2022: £82.9 million) including final charges from the North Eigg exploration well.

Administrative expenses for 2023 of £19.6 million compared to £9.2 million for 2022 and reflected the growth in activities of the Group arising following the Tailwind transaction completion and the extension of activities that this entailed, but also some non-recurring charges. In addition, transaction costs of £10.1 million (2022: £1.8 million) comprised fees and other transaction costs associated with the acquisition of Tailwind.

FINANCIAL REVIEW continued

Currency losses of £3.6 million (2022: gains of £3.9 million) largely arose on GBP-reported US\$ holdings as sterling strengthened compared to the US\$ during 2023. Share-based payments were £4.0 million (2022: £3.5 million).

The gain on acquisition of £34.0 million (2022: £nil) represents the difference between the fair value of assets acquired and consideration paid or potentially payable, calculated in accordance with applicable accounting standards. Such calculations are complex and involve a range of projections and assumptions related to future costs, production volumes, sales prices, discount rates and tax.

Profit before taxation and profit for the period after taxation

Profit before taxation for 2023 of £305.6 million (2022: £488.2 million) took into account a £7.6 million charge arising from an increase in the fair value of financial liabilities (2022: £8.4 million credit), £13.5 million of finance revenue (2022: £4.5 million) and £21.5 million of finance costs (2022: £0.9 million).

The total £7.6 million charge for financial liabilities included £5.9 million related to the remaining BKR financial liabilities (2022 - £8.4 million credit) and £1.7 million for royalty liabilities and other consideration (2022: £nil). The fair value of the liabilities is re-assessed at each financial period end. The increase for the BKR liability arose from the unwinding of discount and other timing revisions on the estimated amounts of those remaining liabilities. The prior year credit reflected the impact of Serica's plan for field life extension on the BKR assets.

Finance revenue of £13.5 million (2022: £4.5 million) primarily represented interest income earned on cash deposits and has increased following the recent rises in interest rates during 2023 compared to 2022. Finance costs of £21.5 million (2022: £1.0 million) included interest payable and other charges on the debt facility acquired with the Tailwind acquisition in March 2023, the discount unwind on decommissioning provisions and other minor finance costs.

The 2023 taxation charge of £202.6 million (2022: £310.4 million) comprised current tax charges, including prior year adjustments, of £183.3 million (2022: £277.7 million) and a deferred tax charge of £19.3 million (2022: £32.7 million). The reduction in current tax charges mainly reflected lower net income and higher capital spend in 2023 as well as the utilisation of brought forward tax losses within the acquired Tailwind business. The gain on acquisition is a non-taxable accounting entry.

Reported and effective tax rate ¹	Units	FY 2023	FY 2022
Profit before tax	£ million	306	488
Current tax	£ million	183	278
Deferred tax charge	£ million	19	33
Tax charge for the year	£ million	203	310
Book tax rate	%	66%	64%
Effective tax rate ¹	%	48%	45%
Applicable ring-fence aggregate tax rate ¹	%	75%	40% - 65%

¹ See Reconciliation of non-IFRS measures for further detail

In addition to corporation tax and supplementary charge, 2022 and 2023 full year results also include charges for the EPL. The EPL applied an additional 25% tax on profits earned from the production of UK oil and gas from 26 May 2022, increasing to 35% effective 1 January 2023. The current tax charge includes EPL charges of £97.1 million (2022: £64.3 million).

Overall, this generated a profit after taxation of £103.0 million for 2023 compared to a profit after taxation of £177.8 million for 2022. This resulted in an earnings per share of £0.29 (2022: £0.65) after taking into account the weighted average number of ordinary shares in issue.

Group Balance Sheet

Serica retains a strong balance sheet following completion of the Tailwind acquisition including remaining in a net cash position. This gives the Group flexibility in capital allocation including the ability to fund its ongoing capital investment programmes whilst supporting distributions to shareholders. Completion of a new financing facility to refinance the RBL, assumed as part of the Tailwind acquisition following year end has further boosted the Group's resources as it seeks new acquisition and investment opportunities. The balance sheet as at 31 December 2023 includes assets and liabilities from the acquired Tailwind business.

	FY 2023 £ million	FY 2022 £ million
Assets		
E&E	2	1
PP&E	711	266
Deferred tax asset	84	–
Inventory	11	4
Trade and other receivables	139	135
Hedging Security	–	24
DSA Security	28	–
Cash & cash equivalents	263	433
Total Assets	1,238	862
Equity and liabilities		
Equity	655	409
Borrowings	213	–
Provisions	117	25
Deferred tax liability	–	153
Financial liabilities	73	54
Contract liabilities	29	1
Tax payable	54	150
Trade and other payables	97	70
Total Equity and Liabilities	1,238	862

Total property, plant and equipment increased from £265.9 million at year end 2022 to £711.5 million at 31 December 2023. The main driver for the significant increase in the balance is the fair value of £486.3 million attributed to the Tailwind assets upon acquisition. The acquisition of Tailwind Energy Investments Ltd is classified as a business combination and the calculation of fair value is carried out involving a series of judgements and assumptions (see note 2 - Use of judgement and estimates and sources of estimation uncertainty) in accordance with applicable accounting standards.

Net PP&E additions comprised capital expenditure during 2023 of £68.6 million across various field assets. These included expenditure on the Bruce LWIV campaign and preparations for the 2024 Triton area drilling programme. There were also increases from decommissioning asset revisions of £16.0 million offset by depletion charges for 2023 of £109.2 million (2022: £76.9 million), other depreciation charges of £0.2 million (2022: £0.2 million) and currency translation adjustments of £16.0 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.

The net deferred tax asset of £84.1 million at 31 December 2023 compared to a deferred tax liability of £153.3 million at year end 2022, mainly as a result of the inclusion of significant net deferred tax assets of £264.9 million in relation to the Tailwind acquisition. This net deferred tax asset comprised the recognition in relation to tax losses and future relief available on decommissioning, partially offset by deferred tax liabilities arising on PP&E balances. Deferred tax liabilities arising upon the Group's PP&E balances will be released in future periods as those balances are depleted.

The inventories balance of £10.9 million at 31 December 2023 increased from £4.0 million at the end of 2022 including £5.9 million for oil inventory held in the pipeline and terminal for the acquired Orlando field. Trade and other receivables increased from £134.6 million at the end of 2022 to £138.6 million at 31 December 2023.

Hedging security advances of £24.3 million at 31 December 2022 were recovered during 1H 2023 as all gas swaps and the majority of fixed forward contracts crystallised.

FINANCIAL REVIEW continued

The decrease in cash balances from £432.5 million at 31 December 2022 to £263.5 million at 31 December 2023 reflected cash flow from operations of £378.4 million mainly offset by £279.5 million of UK tax payments, £88.8 million of dividend payments, capital expenditures of £78.3 million, net cash outflows of £44.0 million on the Tailwind acquisition (cash consideration net of cash and cash equivalents acquired), and £46.9 million (US\$58.8 million) on debt repayments in the post-acquisition period. Overall cash was supplemented by Decommissioning Security Agreement ("DSA") cash advances of £27.5 million at 31 December 2023 (31 December 2022: £nil) when cash security temporarily lodged in respect of decommissioning obligations was released to Serica in 2024 when replaced by security in the form of letters of credit as provided under the new financing facility.

Current trade and other payables increased to £97.4 million at 31 December 2023 from £69.9 million at the end of 2022. UK corporation tax payable of £53.7 million at 31 December 2023 (31 December 2022: £150.0 million) reflects liabilities for corporation tax, supplementary charge and the EPL. The decrease over the year reflected the higher level of taxable income in late 2022 and also the timing of initial payments under the EPL.

Derivative financial liabilities of £4.4 million at 31 December 2023 largely represent the valuation of UKA Emission Trading Scheme ("ETS") swaps in place at the period end following the Tailwind acquisition. The 31 December 2022 liability of £24.9 million reflected Serica's gas swaps in place at that date which unwound during 2023.

Contract liabilities of £28.8 million reflect the outstanding portion of an underlying revenue offtake contract that was fair valued in connection with the Tailwind acquisition (see note 16). An original liability of £54.2 million was recognised which is released to the Income Statement across 2023 and 2024 as the underlying contract unwinds.

Financial liabilities of £68.6 million (31 December 2022: £29.4 million) are split between current liabilities of £3.6 million (31 December 2022: £nil) and non-current liabilities of £65.0 million (31 December 2022: £29.4 million). Non-current financial liabilities comprise remaining deferred consideration projected to be paid under the BKR acquisition agreements of £35.3 million (31 December 2022: £29.4 million) and royalty liabilities of £29.7 million (31 December 2022: £nil) for amounts payable to third parties under the terms of Triton asset acquisitions previously made by Tailwind. Current liabilities reflect the final contingent consideration payment of shares issued in March 2024 in respect of the Tailwind acquisition.

Provisions of £116.9 million (split current of £12.9 million and non-current of £103.9 million) predominantly relate to future decommissioning obligations. The significant increase from the prior year balance of £25.2 million was largely due to £75.9 million of balances within the Tailwind acquisition representing the net exposure retained by Tailwind after reflecting the contractual undertakings in asset purchase agreements under which the Tailwind field interests were acquired, increases of £16.4 million from revisions to estimates in the year and a charge of £2.9 million from the unwinding of the discounts applied. Increases were partially offset by currency translation adjustments and some minor spend in the period.

Interest bearing loans of £213.0 million at 31 December 2023 (31 December 2022: £nil) comprise the RBL facility assumed with the Tailwind acquisition. Amounts drawn in US dollars under the facility at 31 December 2023 were US\$271.2 million which are disclosed as gross drawings as all remaining unamortised fees were expensed at year end given the impending refinancing. The facility was US\$330 million drawn at the date of acquisition with net repayments of US\$58.8 million made in the post-acquisition period to 31 December 2023. Although this facility was repaid and replaced by a new financing facility in January 2024 it has been classified under non-current liabilities at year end 2023 as there were no contractual obligations existing at the year end to make repayments within one year.

Overall, net assets have increased from £408.7 million at year end 2022 to £655.3 million at 31 December 2023.

The increase in share capital from £183.2 million to £192.9 million arose from shares issued following the exercise of share options, shares issued under employee share schemes and the nominal value of shares issued for the Tailwind acquisition, whilst the increase in other reserves from £25.6 million to £29.6 million arose from share-based payments related to share option awards. The merger reserve of £230.4 million in the consolidated Group accounts arose in connection with the shares issued for the Tailwind acquisition.

Cash Balances and Future Commitments

Current cash position and price hedging

At 31 December 2023 the Group held adjusted net cash of £78 million. This consisted of cash and cash equivalents of £263.5 million (31 December 2022: £432.5 million) plus £27.5 million of DSA cash advances net of the RBL drawings of £213 million (31 December 2022: £nil). The DSA cash advance of £27.5 million was temporarily lodged in respect of decommissioning obligations and then released to Serica in 2024 when replaced by security in the form of letters of credit as provided under the new financing facility.

Adjusted Net Cash/(Debt)	FY 2023 £ million	FY 2022 £ million
Interest bearing loans	(213)	–
Cash & cash equivalents	263	433
DSA security	28	–
Adjusted net cash/(debt)	78	433

Cash hedging security advances of £24.3 million that had been lodged with hedge counterparties at 31 December 2022 as security against settlement of future gas hedge instruments were fully recovered during the 1H 2023 period. Of total cash and cash equivalents, £18.3 million was held in restricted accounts against letters of credit issued in respect of certain decommissioning liabilities as at 31 December 2023 (31 December 2022: £18.1 million).

As at 22 April 2024, the Company held cash and cash equivalents of £264.7 million and debt drawings of US\$231 million (£186.7 million). This is after 2023 final tax payments of £58.2 million, capital spend and drawings under the new finance facility totalling £9.7 million to cover arrangement fees and other costs of the refinancing. This excludes approx. £19 million of revenues from the March Triton oil lifting due for receipt on 1 May 2024.

Hedging

Serica carries out hedging activity to manage commodity price risk, to meet its contracted arrangements under its RBL facility and to ensure there is sufficient funding for future investments. At 31 December 2023 Serica held the following instruments:

Oil - fixed pricing under oil offtake agreements: for 2024 approximately 2.5 million barrels at an average price of US\$67 per barrel. These are applied to individual oil tanker liftings from the Triton area FPSO and are expected to be fully utilised during 1H 2024.

UKA ETS - fixed price swaps for UKA ETS products consisting of 132,000 MT at £79.24/MT for 2024. These are spread over 2024.

Since year end Serica has added further oil hedges plus some gas hedges. At 18 April 2024 Serica held the following commodity price hedges:

Oil Hedging

	Units	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Weighted average prices:										
Puts net	\$/Bbl	–	–	68	68	–	–	–	–	–
Swap Price	\$/Bbl	66	69	81	81	81	75	75	75	75
Collar floor	\$/Bbl	–	–	68	68	68	69	68	68	69
Average Floor	\$/Bbl	66	69	72	71	72	69	69	69	70
Collar Ceiling	\$/Bbl	N/A	N/A	111	100	96	88	88	86	86
Puts	'000 bpd	–	–	3.0	2.0	–	–	–	–	–
Swaps	'000 bpd	12.8	14.6	2.0	2.0	2.0	0.8	0.8	0.8	0.8
Collars	'000 bpd	–	–	2.0	4.0	4.0	5.0	4.8	4.5	3.0
Hedged Volume	'000 bpd	13	15	7	8	6	6	6	5	4

FINANCIAL REVIEW continued

Gas Hedging

	Units	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Weighted Average Prices:										
Swap Price	p/therm		71	71	84	84	77	77	84	87
Collar floor	p/therm				80	80	70	70	80	80
Floor Average	p/therm	–	71	71	82	81	74	74	83	84
Collar ceiling	p/therm	N/A	N/A	N/A	120	125	115	115	130	130
Swaps	'000 therms pd		84	100	100	100	100	100	100	50
Collars	'000 therms pd				50	150	50	50	50	50
Hedged Volume	'000 therms pd	–	84	100	150	250	150	150	150	100
Hedged Volume	'000 boepd	–	1	2	3	4	3	3	3	2

Field and other capital commitments

Serica's planned 2024 investment programme includes a LWIV campaign on the Bruce and Keith fields and a four-well drilling campaign in the Triton Area (Bittern B1z, Gannet GE-05, Evelyn Phase 2 (EV02) and a Guillemot NW infill well). Potential further programmes to enhance current production profiles and extend field life are under consideration but will be reviewed carefully in the light of the uncertainty related to the UKCS fiscal regime. In April 2024 Serica took a final investment decision on the Belinda development. Consent to the project has been received from OPRED and NSTA approval of the final FDP is expected shortly.

At 31 December 2023, the Group had commitments for future capital expenditure relating to its oil and gas properties amounting to £214 million which relate primarily to the Triton Area four well programme, the Bruce and Keith LWIVs, other capital works on Bruce, Erskine, Arthur decommissioning and general exploration.

The Group's only significant exploration commitment is a commitment well on Licence P2400 (Skerryvore – Serica 20%) to be drilled before October 2025.

Cash projections are run periodically to examine the potential impact of extended low oil and gas prices as well as possible production interruptions. Serica currently has substantial net cash resources 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.

Other

Asset values

At 31 December 2023, Serica's market capitalisation stood at £898.5 million based upon a share price of 229.6 pence which exceeded the net asset value of £655.3 million. By 22 April the Company's market capitalisation had decreased to £764.1 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 ongoing operating costs 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 where considered cost effective and to meet minimum hedge requirements under its debt financing facility.

The introduction of the Energy Profits Levy in May 2022, increased and extended in November 2022 and then extended again in March 2024, has increased the perceived risk of continuing fiscal instability directed at UK oil and gas producers. Serica is monitoring this situation and making representations to relevant authorities on the risks that this presents to future UK investment in a critical national resource.

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 oil and gas assets and acreage capable of delivering returns to shareholders. This is principally conducted through acquisitions of development or producing assets to which it can add further value and through efficient operations and the addition of further commercial reserves. Delivery of this business model carries a number of key risks.

Risk	Mitigation
Business conditions may deteriorate and stock market support may be eroded, lowering investor appetite and hindering fundraising	<ul style="list-style-type: none"> • Management regularly communicates its strategy to shareholders • Focus is placed on building a diverse and resilient asset portfolio capable of offering investment options throughout the business cycle • Serica has recently refinanced its debt facility with a diverse group of international banks and extended the duration to end 2029.
Each investment carries its own risk profile and no outcome can be certain	<ul style="list-style-type: none"> • Management aims to avoid over-exposure to individual assets, to identify the associated risks objectively and mitigate these 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	<ul style="list-style-type: none"> • The Group seeks to diversify its revenue streams • Management determines and retains an appropriate level of working capital • The Group carries business interruption cover
Safety may be compromised or control of wells may be lost	<ul style="list-style-type: none"> • Safe operating procedures are applied and continually updated • Emergency response planning is carried out and rehearsed regularly
Asset integrity of the production facilities may cause production or HSE disruptions	<ul style="list-style-type: none"> • Strict adherence is applied to Company 'Integrity Management Framework' and Performance Standards • The Company runs a comprehensive maintenance programme and assurance process
Third party offtake routes may experience restrictions or interruptions and full availability may depend upon sustained production from other fields in the system	<ul style="list-style-type: none"> • The Group aims to diversify its exposure to offtake routes where possible • The Group carries business interruption cover
Capital programmes may be delayed and costs may overrun	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • The Group employs specialist support • Protection against external intrusion is incorporated within the system and tested regularly
Excessive flaring causes increased emissions and exceeds guidelines	<ul style="list-style-type: none"> • Close monitoring of flaring is conducted and targets set • Work is ongoing to eliminate routine flaring from assets

FINANCIAL REVIEW continued

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

Risk	Mitigation
Key personnel may be lost to other companies	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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
Tax rates and allowances may be varied at short notice, significantly reducing retained income and adding risk to future investment planning	<ul style="list-style-type: none"> Management will utilise investment incentives where available and consider geographical diversification
Volatile commodity prices mean that the Group cannot be certain of the future sales value of its products	<ul style="list-style-type: none"> Planning and forecasting considers downside price scenarios Oil and gas floor price hedging is utilised where deemed cost effective Price mitigation strategies are considered at the point of major capital commitment
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 2025	<ul style="list-style-type: none"> Serica operates comprehensive controls to ensure compliance with license terms The renewal process is initiated well in advance of renewal dates
The UKCS licensing regime under which Serica's operational rights and obligations are defined may be subject to future change	<ul style="list-style-type: none"> Management maintains regular communication with regulatory authorities The Company aligns its standards and objectives with government policies as closely as possible
Serica's reputation may be damaged impacting its ability to raise finance or sustain operations	<ul style="list-style-type: none"> The Company adheres to good governance practices and compliance with legislation and regulations
Climate change brings a range of risks to the Group's operations, its ability to continue investing and its reputation	<ul style="list-style-type: none"> These risks, mitigations and associated disclosure requirements, are covered in detail in the following section on 'TCFD'

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 16 and 17 and also in a separate ESG Report.

The TCFD framework aims to formalise the implementation and reporting of financial disclosures related to climate change. Serica has reviewed guidance issued by the TCFD with regard to the identification, management and reporting of climate-related financial risks and the Company has continuously developed its capabilities to analyse and report climate-related risks giving consideration to the TCFD guidance.

This disclosure has been made on a voluntary basis and is a summary of Serica's wider Climate-Related Risk disclosure, which is available separately on Serica's website. This summary of disclosures is not in full alignment with all 11 recommendations of the TCFD. The Company recognises the release and implementation of the IFRS S1 and S2 standards and in 2024, will work to enhance and align its disclosures to these standards.

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 committees 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 Sustainability Committee, which was formed in 2023, reports to the Board on the effectiveness of the Company's ESG Programmes and the management of climate-related risks and opportunities. The Committee also reviews Serica's environmental performance for both operated and non-operated assets and has input into metrics and targets used to measure environmental performance. The Committee aids in steering Serica's long-term emissions reduction strategy ensuring that decarbonisation projects are progressing in a timely manner.
- The Health, Safety and Environment Committee reports to the Board on the effectiveness of the Company's HSEQ programme and ensures that risks, including environmental or carbon-related hazards are fully assessed and appropriately mitigated. In addition, this committee ensures that all personnel, including contractors employed by the Company, are fully aware of their HSE 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.
- The above committees all meet regularly as required.

Strategy

The Company's focus is on acquiring or developing oil and gas assets, 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. Although our current assets are estimated to cease production well before 2050, Serica takes into account the incremental emissions reduction targets of the North Sea Transition Deal when making strategic decisions. Serica uses the risk categories recommended by the TCFD to identify and assess climate-related risk and opportunities: namely 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 of assets where Serica can seek to improve environmental performance, 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 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, including those of the Senior Management and Executive Teams;
- Formation of a Sustainability Board Committee, to focus on specific ESG topics and issues, including climate-related risk and opportunities;
- Continued development and enhancement of a robust ESG policy and strategy with a corresponding communication structure to internal and external stakeholders;
- A dedicated VP ESG and Business Innovation position to lead strategy development, drive change and support continuous improvement in emissions performance and wider ESG commitments;
- Creation of an Emissions Reduction Group that looks at opportunities to reduce Serica's carbon emissions in line with Industry targets. This group is led by Serica's Energy Transition Engineering Advisor;

FINANCIAL REVIEW continued

- Active membership of the Net Zero Technology Centre, whose aim is to help accelerate the development and implementation of technology to lower emissions;
- 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;
- Continued development of an ESG strategy ensuring associated commitments and disclosures are aligned with investor and lender requirements;
- Empowering employees to identify and own ESG initiatives within the Serica organisation and the wider community; and
- Integration of internal stakeholder communications to ensure that the requirements of finance and ESG are aligned.

Scenario Analysis

The TCFD recommends that business resilience to climate risks should be assessed through scenario analysis. Scenarios begin 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 and carbon prices under different scenarios. Serica has decided to base its analysis on three 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
3. Announced Pledges – all current targets and announced pledges are met by countries with temperature-limiting targets narrowly missed

In 2023, Serica ran quantitative scenario analysis against its business economic models on the whole Serica asset portfolio. Parameters for the economic models were based on those of the International Energy Agency's ("IEA") 2022 Net Zero, Stated Policies, and Announced Pledges scenarios and concentrated on carbon prices and commodity prices. The results of the exercise confirmed that Serica's business models remain resilient under these scenarios. Serica will continue to use scenario analysis to test its resilience under different climate scenarios.

Serica is currently partially aligned with the Strategy C recommendation. Information on future steps can be found in Serica's TCFD Summary Report.

Climate Risk Management

- The Senior Management Team is structured and empowered to ensure that the Board has the necessary climate-related information to assess and manage 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. As its existing assets are all currently projected to cease production within the next ten to fifteen years, this is the key period of focus for the Company.
- 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.
- When 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. As Serica's existing fields are all currently projected to cease production within the next fifteen years, this is the key period of focus for the Company. Therefore, Serica has primarily targeted its considerations of climate-related risks and opportunities over the short and medium terms. Serica have defined the time period for short, medium and long terms risks as:
 - Short term risks: 1 – 3 years
 - Medium term risks: 4 – 9 years
 - Long term risks: 10 + years

A summary of Serica's transition and physical risks is presented in the table below.

Risk Description	Perceived impact timescale	Potential Consequences	Mitigations/Actions
Transition Risk			
Sources of finance including equity markets and debt providers may be harder to access or become more expensive	Short Term	<ul style="list-style-type: none"> All lenders reduce funding available to exploration and production companies and this may impact debt terms and/or debt capacity. Demonstration of the impacts of climate change and associated company action are likely for the basis of access to finance. Organisations with poor ESG commitments, disclosures and performance can expect to see materially reduced lending appetite over time. Cost of debt and debt capacity significantly impacted by anti-fossil fuel pressures in the lending community. Less debt capacity and increased cost of debt may lead to reduced asset and company valuation. 	<ul style="list-style-type: none"> Serica has put in place a new six-year financing facility with a group of international banks. This facility includes provisions for the incorporation of ESG performance indicators The Company also seeks to retain a range of alternative financing options Potential funding cost increases and loan structures (i.e. sustainability led loans) are considered when planning investments
The transition away from fossil fuel-based power generation may restrict the future demand for, or production of, the Company's oil and gas reserves	Medium to Long term	<ul style="list-style-type: none"> Reduced demand for goods and services due to shift in consumer preferences Increased production costs due to changing input prices (e.g. energy, water) and output requirements (e.g. waste treatment) Abrupt and unexpected shifts in energy costs Change in revenue mix and sources, resulting in decreased revenues Re-pricing of assets (e.g. fossil fuel reserves, land valuations, securities valuations) R&D expenditures in new and alternative technologies Capital investments in technology development Costs to adopt/deploy new practices and processes 	<ul style="list-style-type: none"> The impact of the value of future reserves is lower for later periods of production due to discounting Since the acquisition of Tailwind Energy, the Company's reserves are more evenly split between oil and gas mitigating the risk of demand for one commodity over another The Company closely follows industry related forecasts and trends from numerous sources The Company reviews opportunities for investment in clean technology and is currently involved in projects with the Net Zero Technology Centre
Energy transition objectives may bring additional costs, levies, or taxes	Short term	<ul style="list-style-type: none"> Increases the risk associated with longer term capital investments Increased operating costs (e.g., higher compliance costs, increased insurance premiums) Write-offs, asset impairment, and early retirement of existing assets due to policy changes Increased costs and/or reduced demand for products and services resulting from fines and judgments 	<ul style="list-style-type: none"> Estimates of climate-related charges are included in cost estimates where reasonably identifiable Management prioritises the delivery of ESG objectives aimed at mitigating any additional carbon levies, i.e., by reducing its asset emissions The impact of the Energy Profits Levy and potential changes are taken into account when running corporate economic models, resilience testing and assessing new acquisitions

FINANCIAL REVIEW continued

Risk Description	Perceived impact timescale	Potential Consequences	Mitigations/Actions
The range of potential acquisitions may be restricted by ESG considerations	Short to Medium Term	<ul style="list-style-type: none"> Reduced revenues from lower sales/output Reduced capital availability 	<ul style="list-style-type: none"> 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 compared to imports The Company reviews investments in countries outside the UK and their climate-related policies and outlook
The industry or Company's reputation could be damaged as the oil and gas industry is perceived negatively by external stakeholders	Short to Medium Term	<ul style="list-style-type: none"> Reduced revenue from decreased demand for goods/services Reduced revenue from decreased production capacity (e.g., delayed planning approvals, supply chain interruptions) Reduced revenue from negative impacts on workforce management/planning (e.g., employee attraction/retention) 	<ul style="list-style-type: none"> Ensure the Company reports transparently and follows internationally recognised ESG reporting guidelines Regularly engage with stakeholders on its ESG activities and performance

Physical Risk

More extreme weather patterns may threaten or disrupt operations or supply chain	Short to Long Term	<ul style="list-style-type: none"> Reduced revenue in the short term due to decreased production capacity (e.g. transport difficulties, supply chain interruptions) Reduced revenue and higher costs in the short term due to negative impacts on workforce (e.g. health, safety, absenteeism) Write-offs and early retirement in the long term of existing assets (e.g. damage to property and assets in "high-risk" locations) Increased operating costs in the long term (e.g. inadequate water supply for hydroelectric plants or to cool nuclear and fossil fuel plants) Increased capital costs in the long term (e.g. damage to facilities) Reduced revenues from lower sales/output Increased insurance premiums and potential for reduced availability of insurance on assets in "high-risk" locations in the long term 	<ul style="list-style-type: none"> The Company seeks to maintain robust transport and supply chains The impact of extreme climatic conditions such as exceptional waves are incorporated into risk management scenarios The Company operates under a Severe Weather Action Plan Plan contingency into operations such as drilling/diving/seismic to reflect poor weather
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Serica is currently partially aligned with the Risk Management B recommendation. Information of future steps can be found in Serica's TCFD Summary Report.

Metrics and Targets

Criteria used to assess climate-related risks is aligned to the criteria used in Serica's risk assessment matrix. This matrix looks at the potential frequency of an event or risk occurring and the potential financial impact this may have on the organisation. Once its likelihood and potential financial impact has been determined it is given a risk rating, which is then used by Serica to rank the risks in relation to their severity and importance. Naturally, there is a focus to concentrate efforts on mitigating the most significant risks identified.

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.

Serica is fully aligned to the emission reduction targets as set out in the North Sea Transition Deal, which commits the UK oil and gas industry to reduce absolute basin emissions by 10% by 2025, by 25% by 2027, 50% by 2030, and become Net Zero by 2050 from a 2018 baseline. Serica also supports the World Bank's target of reaching zero routine flaring by 2030.

Serica sets annual emissions targets as part of its annual bonus scheme. Performance against these targets is directly linked to the remuneration of our staff and executives. Serica has implemented ESG bonus linked targets since 2021.

The environmental targets put in place for the Bruce Hub in 2023 included:

- Limiting total Scope 1 emissions to below 200,000 tonnes of CO₂
- Limiting total volumes of flared gas to under 5,000 tonnes

In 2023, Serica achieved both targets, with total Scope 1 emissions reaching 179,447 tonnes of CO₂ by the end of the year and total flaring volumes limited to 4,708 tonnes. The main contributors to this were the successful implementation of the temporary power generators installed for the summer maintenance shutdown, which saved approximately 5,500 tonnes of CO₂ from being emitted. Further details on Scope 1 and 2 emissions can be found on page 17 of the Annual Report and Accounts.

In 2024, Serica will continue to tie emissions reduction initiatives to its remuneration and corporate bonus scheme and has implemented the following emissions related targets:

- Limiting total Scope 1 carbon intensity to 15.5 kgCO₂/boe

This target is intensity based and performance is monitored on a regular basis and is reported across the organisation, including the Board and all staff and contractors. Details on executive remuneration can be found on page 59 of the Annual Report and Accounts.

Serica also has a suite of other environmental targets and KPIs used to monitor its performance, these include the average daily flaring volumes, the percentage of waste diverted from disposal, the volume of general waste generated and quantity of oil in produced water that is discharged to sea. Performance against these targets is also monitored on a regularly and performance is reported across the organisation.

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.

Further information upon the Company's HSEQ and ESG policies and delivery can be found within the ESG Report which will be issued along with the 2023 Annual Report.

Serica is currently partially aligned with the Metrics and Targets A recommendation. Information on future steps can be found in Serica's TCFD Summary Report.

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 KPIs 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 KPIs whose progress is covered within an updated ESG Report:

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

ESG performance is tracked through the following KPIs whose progress is covered within the ESG Report:

- Annual carbon emissions
- Flare volumes
- Scope 1 carbon intensity

FINANCIAL REVIEW continued

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 HSEQ and ESG policies and delivery can be found within the ESG Report which will be issued along with the 2023 Annual Report.

Section 172 statement

The Directors' statement under Section 172 of the Companies Act 2006 is included on pages 63 to 64.

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.

Mitch Flegg

Chief Executive Officer

23 April 2024

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.

EXECUTIVE MANAGEMENT TEAM AND BOARD OF DIRECTORS



David Latin, Non-Executive Chairman, joined the Board on 7 December 2021 firstly as an Independent Non-Executive Director and was appointed as Non-Executive Chairman following the retirement of Antony Craven Walker in June 2023. Mr Latin has over 30 years' experience in Upstream Exploration and Production. He worked at BP for 18 years, where he was responsible for the BKR assets for 6 years and then held a number of senior VP and global/regional business roles. He was later OMV Group Senior Vice President for E&P in NW Europe, Africa and Australasia during which time he was responsible for building significant businesses in the UK (sold to Siccra Point Energy) and in Norway.

As announced on 1 February 2024 and 16 April 2024, Mr Latin will assume the role of Interim CEO of the Company from 24 April 2024 pending the search process for a permanent CEO.

Committees: Mr Latin until March 2024 was a member of the Nominations Committee, a decision was made for him to stand down from this committee while he assumes the role of Interim CEO. He will join the Health Safety & Environmental Committee, Reserves Committee and Sustainability Committee in April 2024.

Key External Appointments: None



Mitch Flegg, Chief Executive Officer, has over 40 years of experience in the upstream oil and gas industry, including positions at Shell and Enterprise Oil. Mr Flegg first joined the Company in 2006 and was responsible for all drilling and development operations. He was promoted to the position of Chief Operating Officer in March 2011 and appointed to the Board in September 2012. Mr Flegg left the Company in May 2015 to become CEO of Circle Oil Plc. Mr Flegg re-joined the Board on 21 November 2017 as Chief Executive Officer on the announcement of the BKR transaction. Mr Flegg's background and experience ensures that the Company is effectively led to achieve the Company's long-term strategic goals and become a leading producer and operator.

As announced on 1 February 2024 and 16 April 2024, as at the close of business on 23 April 2024, Mr Flegg has stepped down as CEO of the Company, he will remain as an advisor to the Company until after the Annual General Meeting in June 2024.

Committees: Health Safety & Environmental ("HSE") Committee, Reserves Committee and Sustainability Committee.

Key External Appointments: The UK Offshore Energies Association Limited



Martin Copeland, Chief Financial Officer, joined the Board on 5 February 2024. Mr Copeland was previously a Principal at energy advisory firm Kirk Lovegrove & Co. Ltd and has over 30 years' experience in oil and gas financing and advisory roles across a number of investment banks. His more recent experience includes advising Premier Oil on their reverse takeover by Chrysaor to create Harbour Energy, advising JX Nippon on the sale of their UKCS business to Neo Energy and advising Tailwind Energy on their sale to the Company last year.

Committees: None

Key External Appointments: None



Malcolm Webb, Senior Independent Non-Executive Director ("SID"), joined the Board on 30 November 2018, on completion of the BKR transaction. Mr Webb was appointed SID in April 2022. Mr Webb started his career with Burmah Oil Company in 1974 as a company legal adviser. Between 1986 and 1999, Mr Webb worked in the Petrofina SA Group in various senior management roles. In 2001, Mr Webb was appointed Director General of the UK Petroleum Industry Association and in 2004 he joined Oil & Gas UK as Chief Executive, from which post he retired in 2015. Mr Webb's industry background, together with his corporate and legal experience provides the Board with the expertise to review and challenge decisions and opportunities presented.

Committees: Nominations Committee (Chair).

Key External Appointments: None



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

Committees: Remuneration Committee (Chair), Audit Committee and Nominations Committee.

Key External Appointments: Star Energy Group plc; Plant Health Care plc



Jérôme Schmitt, Independent Non-Executive Director, joined the Board on 1 July 2022. Mr Schmitt has over 30 years' experience in the energy and mobility sector, with particular emphasis across Finance, Sustainability and Business streams. Mr Schmitt was the Head of M&A and Chief Sustainability officer at TotalEnergies and Chairman of OGCI Executive Committee until 2021. He was responsible for developing and financing gas value chain projects in Middle East & Asia and created and led the Net Zero Businesses division of TotalEnergies.

Committees: Sustainability Committee (Chair) and HSE Committee.

Key External Appointments: Bramble Energy Limited



Michiel Soeting, Independent Non-Executive Director, joined the Board on 1 February 2023. Mr Soeting is a chartered accountant, qualified in both the Netherlands and the United Kingdom, he has extensive financial expertise, strong governance, risk management and regulatory compliance experience. Mr Soeting has over 30 years' experience in the audit and financial service sector, he was the former global lead partner and global head of energy & natural resources at KPMG.

Committees: Audit Committee (Chair), Remuneration Committee and Reserves Committee.

Key External Appointments: Veon Ltd

EXECUTIVE MANAGEMENT TEAM AND BOARD OF DIRECTORS continued



Robert Lawson, Non-Executive Director, joined the Board on 23 March 2023. Mr Lawson represents Mercuria Holdings ("Mercuria") (a major shareholder of the Company) which was agreed following the acquisition of Tailwind Energy Investments Ltd. Mr Lawson spent a large part of his career with BP in various roles including Commercial Vice President for BP's Refining and Marketing Segment then becoming the Global Head of Mergers and Acquisitions. In 2022, Mr Lawson joined Mercuria Energy Group as Executive Vice President and a member of its board.

Committees: Nominations Committee.

Key External Appointments: Seacrest Petroleo Bermuda Limited



Guillaume Vermersch, Non-Executive Director, joined the Board on 23 March 2023. Mr Vermersch also represents Mercuria. Mr Vermersch started his career with Arthur Andersen in Paris. His career includes roles at ING/BBL Bank and CIB in Geneva and Paris and as head of the Credit and Finance Risk department of Semptra Oil Trading for Europe and Asia where he was responsible for defining, implementing and monitoring the full scope of the Semptra Energy credit and financial strategies, from trading business requirements to banking, finance and risk management responsibilities to support the oil and energy division's expansion. He is the group chief financial officer and a group board member of Mercuria Energy Group.

Committees: None

Key External Appointments: None



Kaat Van Hecke, Independent Non-Executive Director, joined the Board on 17 July 2023. Ms Van Hecke has over 25 years' experience in the petrochemicals and oil and gas business, she has held positions with ExxonMobil, Shell, OMV and Nostrum in Belgium, the Netherlands, Nigeria, Russia, Austria and Kazakhstan. Ms Van Hecke was previously MD and Senior Vice President OMV Austria E&P and interim CEO at Nostrum Oil and Gas, she is also a Non-Executive director of Glover Gas & Power BV/ Axxela Ltd and Trinity Exploration & Production plc.

Committees: HSE Committee (Chair), Reserves Committee (Chair) and Audit Committee.

Key External Appointments: Glover Gas & Power B.V/Axxela Limited; Trinity Exploration & Production plc



Sian Lloyd Rees, Independent Non-Executive Director, joined the Board on 17 July 2023. Ms Rees' career includes roles at Halliburton Corporation, Oracle Corporation and Aker Group and most recently as UK MD of Aker Horizons and Mainstream Renewable Power responsible for growing a renewable energy portfolio in offshore wind and hydrogen. Ms Rees has over 30 years' experience in the Oil and Gas, IT and Renewable Energy industries, she is also a Non-Executive Director and co-chair of OEUK, non-executive director for the Net Zero Technology Centre and Non-Executive Director of Port of Aberdeen.

Committees: Remuneration Committee and Sustainability Committee.

Key External Appointments: OEUK; Net Zero Technology Centre Ltd; Port of Aberdeen

DIRECTORS' REPORT

The Directors of the Company present their report and the Group financial statements of Serica Energy plc ("Serica" or the "Company") for the year ended 31 December 2023.

Principal Activities

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

Business Review and Future Developments

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

Engagement with Employees, Suppliers and Customers

Information regarding Serica's engagement with employees, suppliers and customers is included in the Directors' statement under Section 172 of the Companies Act 2006 on pages 63 to 64.

Results and Dividends

The profit for the year was £102,984,000 (2022: £177,796,000).

The Directors are recommending the payment of a final dividend by the Company of 14.0 pence per share for the year to 31 December 2023, see note 11 (2022: 14.0 pence per share). Subject to shareholder approval at the AGM, this will be payable on 24 July 2024 to shareholders registered on 28 June 2024 with an ex-dividend date of 27 June 2024.

Financial Instruments

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

Events Since Balance Sheet Date

On 23 January 2024 Serica announced the completion of a new US\$525 million 6-year Borrowing Facility which replaced its existing facility.

On 26 February 2024 Serica announced the completion of the acquisition of 30% non-operated interests in the P2498 and P2170 licences (together the Greater Buchan Area) from Jersey Oil & Gas.

On 6 March 2024, the UK government announced that EPL would be extended for a further 12 months to 31 March 2029 from the former end date of 31 March 2028.

Directors and their Interests

The following Directors have held office in the Company since 1 January 2023 to the date of this report:

Antony Craven Walker (*retired 30 June 2023*)
David Latin
Mitch Flegg
Malcolm Webb
Kate Coppinger
Andrew Bell (*retired 5 February 2024*)
Trevor Garlick (*retired 17 July 2023*)
Jérôme Schmitt
Michiel Soeting (*appointed 1 February 2023*)
Robert Lawson (*appointed 23 March 2023*)
Guillaume Vermersch (*appointed 23 March 2023*)
Kaat Van Hecke (*appointed 17 July 2023*)
Sian Lloyd Rees (*appointed 17 July 2023*)
Martin Copeland (*appointed 5 February 2024*)

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

	Class of share	Interest at end of year	Interest at start of year (or date of appointment if later)
David Latin	Ordinary	45,000	–
Mitch Flegg	Ordinary	316,165	184,445
Andrew Bell	Ordinary	171,616	18,709
Kate Coppinger	Ordinary	–	–
Jérôme Schmitt	Ordinary	9,100	–
Malcolm Webb	Ordinary	64,506	64,506
Michiel Soeting	Ordinary	42,300	–
Robert Lawson	Ordinary	–	–
Sian Lloyd Rees	Ordinary	–	–
Kaat Van Hecke	Ordinary	–	–
Guillaume Vermersch	Ordinary	–	–

DIRECTORS' REPORT continued

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

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

Details of share awards that have been granted to certain Directors under the Serica Energy plc Share Option Plan 2005 ("Serica 2005 Option Plan") and under the Serica Energy plc Long Term Incentive Plan (the "LTIP") are included in note 25.

Greenhouse gas ("GHG") emissions

Information regarding Serica's GHG disclosure is included in the Environmental, Social and Governance ("ESG") section on pages 16 to 17.

Auditor

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

Disclosure of information to auditors

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

On behalf of the Board

Mitch Flegg

Director

23 April 2024

CORPORATE GOVERNANCE STATEMENT

Chair's Corporate Governance Statement:

The corporate governance section of our report explains how the Company has a comprehensive corporate governance framework with clearly defined responsibilities and accountabilities to safeguard long-term shareholder value. At the time of writing this report I am Non-Executive Chairman of the Company, and it is my responsibility to work with my fellow Board members to ensure that the Company continues to maintain high standards of governance and provides governance structures and processes that are fit for purpose and support good decision making by the Board. As a Board we believe that practicing good corporate governance is essential for building a successful and sustainable business. Good governance depends on strong and effective leadership and a healthy corporate culture, supported by robust systems and processes and a good understanding of risk. It is imperative that the Board possesses a wide range of skills so that we emerge well placed to take advantage of new opportunities. A key focus in 2023 has been to develop our leadership capabilities and we have made significant progress in enhancing the composition of the Board. I was delighted to welcome several new directors during the year and am particularly proud of the strong and diverse Board we have now assembled, which is equipped with a compelling mix of skills and experience relevant to Serica and the challenges and opportunities it faces.

As we move further into 2024 and as announced on 1 February 2024 and 16 April 2024, Mitch Flegg will be standing down from the Board and David Latin, the Chairman of the Board, will also take on the role of Interim CEO (effective 24 April 2024) while the Board secures a successor to Mr Flegg. The Company has in place a strong governance structure that will underpin the growth of the business and help build further the success of the Company that we have seen under the leadership of Mr Flegg over the last six years.

This report, together with the reports of the Audit, Nominations, Remuneration, Reserves, Health Safety and Environment and Sustainability Committees, seeks to demonstrate our commitment to high standards of governance.

The terms of reference for each Committee are available on the Company website <https://www.serica-energy.com/corporate-governance> or are available on request from the Company Secretary.

In 2018 the Company adopted the Quoted Companies Alliance ("QCA") Corporate Governance Code 2018. Following the updates made by the 2023 Quoted Companies Alliance Corporate Governance (the "2023 QCA Code") it was agreed that the Company would comply as far as possible with the 2023 QCA Code now, earlier than required, in order to continue to adhere to the best possible level of good governance. The directors believe that the 2023 QCA Code with its updates remains at this stage to be the most appropriate recognised corporate governance code for the Company. It is believed that the 2023 QCA Code provides the Company with the framework to help ensure that a sound level of governance is maintained, enabling the Company to embed the governance culture that exists within the organisation as part of building a successful and sustainable business for all its stakeholders.

The QCA has ten principles which the Company is required to adhere to and to make certain disclosures both within this report and on its website. This has been recently updated to comply, as much as possible at this stage, with the 2023 QCA Code. The Company's website disclosures can be found at www.serica-energy.com.

The importance of a united Board working to ensure that the Company continues to deliver for its shareholders whilst maintaining high standards of employee welfare, safety, corporate governance and commitment to environmental issues is imperative

to the continuing success of the business. During 2023, Michiel Soeting was appointed to the Board and following the Company's acquisition of Tailwind Energy Investments Ltd, Robert Lawson and Guillaume Vermersch were appointed to the Board as Non-Executive Directors and as representatives of the Company's largest shareholder, Mercuria Holdings in line with the terms of a Relationship Agreement. Antony Craven Walker retired from the from his position as Non-Executive Chair in June 2023 and was replaced by David Latin. Trevor Garlick also retired as an Independent Non-Executive Director. Following the retirements of Antony and Trevor the Board welcomed Kaat Van Hecke and Sian Lloyd Rees as Independent Non-Executive Directors in July 2023. Martin Copeland has recently been appointed to the Board in February 2024, replacing Andy Bell as Chief Financial Officer. As announced on 1 February 2024 and 16 April 2024, David Latin, the Chairman of the Board, will also take on the role of Interim CEO, with Mitch Flegg stepping down from 24 April 2024. Mitch Flegg will remain as an adviser to the Company until after the Company's Annual General Meeting in 2024.

The importance of maintaining strong relationships and engaging with our shareholders continues and underpins the success of the business. The Board strives to ensure that there are numerous opportunities for investors to engage with both the Board and Executive Directors. During 2023, the Executive Directors were available to meet with shareholders and analysts following the Company's interim and final results, shareholders were welcomed to the Company's Annual General Meeting and at the beginning of 2023, the Company also held a General Meeting which provided shareholders with an opportunity to raise questions in connection with the Company's acquisition of Tailwind Energy Investments Ltd and to vote on the approval of the acquisition.

CORPORATE GOVERNANCE STATEMENT continued

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

QCA Code Principle Number	QCA Code Principle	Disclosure
One	Establish a purpose, strategy and business model which promotes long-term value for shareholders.	a) Explain the Company's purpose, business model and strategy including key challenges in their execution.
Comment a) See page 2 and the Strategic Report on pages 6 to 37. The Company's purpose is to contribute responsibly towards meeting the world's energy needs through the safe and efficient production of hydrocarbons. It operates in the upstream oil and gas exploration, development and production sector and is therefore exposed to political, operational, commercial, product pricing and hazard risk. The Company's strategy is to maintain a portfolio of properties and risk diversity which enables it to manage the risks, the financial capacity and the growth opportunities in the business. It does this both by an active programme of acquisition and divestment where possible to balance risk and potential whilst also seeking to optimise operating costs and procedures to improve performance and by identifying where new technologies can enhance value. The Company strives to maintain a forward looking, professional and safety conscious culture in all that it does as this also provides essential checks and balances and underpins a value creative environment to the benefit of all stakeholders.		
Two	Promote a corporate culture that is based on ethical values and behaviours	a) Describe the desired company culture within the strategic report. How is the desired corporate culture supportive of the Company's purpose, strategy, and business model? How is the tone from the top (board, chief executive, and senior management) supportive of this culture? How does the board assess and monitor corporate culture and how were any actions which notably deviated from what is expected addressed?
Comment a) The corporate culture of the Company is established within the Board of directors and communicated to the Company by the CEO and senior management through a regular series of internal meetings and supporting processes. By this means the Company's strategy, objectives and approach to health, safety, environmental and diversity issues are communicated to all employees with the Board maintaining full oversight. The Company operates a full feed-back system directly to the Chairman, CEO or Senior Independent Director (SID) which provides the mechanism to enable the Company to become aware of any deviation from the Company's ethical values.		
Three	Seek to understand and meet shareholder needs and expectations	a) Describe the shareholder engagement activities, including the topics discussed and actions taken in response. b) Provide appropriate quantitative and qualitative reporting of a company's environmental and social matters to meet investor needs and expectations
Comment a) The Company engages with its shareholders through regulatory news flow, providing financial results on a half yearly basis, operational updates to maintain information on overall performance, additional news flow when there is a material deviation from the operational updates, releases relating to matters of material importance to the Company's business and releases of a regulatory nature. The Company maintains an informative and regularly updated website at www.serica-energy.com through which shareholders can obtain copies of the Company's annual report, interim report, ESG report and other regulatory documents and regulatory news service releases. The website includes copies of all presentations made from time to time to analysts, shareholders and the general market and includes a facility under which shareholders may submit questions or make comments relating to the Company's business. Whenever possible the Company endeavours to respond to enquiries. The Company's AGM is a regular opportunity for shareholders to meet with the Company and receive a corporate presentation. There is also an opportunity for shareholders to ask questions after the presentation, during the formal business of the meeting and informally following the meeting. The Board pro-actively engages with investors on governance matters. The Chairman, CEO and the CFO are together responsible for shareholder liaison and a listening board for shareholders. In all communications with shareholders and the general market the Company maintains strict compliance with the requirements of the AIM Rules and Market Abuse Regulations. b) See the ESG Report published on the Company's website and the ESG report.		

Four	Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success.	<p>a) Describe the environmental and social issues that the board has identified as being material to the company with reference to its purpose, strategy, and business model.</p> <p>b) Set out any relevant associated KPIs that are used for tracking performance on such matters and, where relevant, key forward-looking targets that have been established.</p>
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Comment

a) The Company annually reviews and updates an ESG Materiality assessment which relies on stakeholder engagement activities throughout the reporting year and incorporates insights from experts across the business. The assessment covers the materiality of topics, ranging from economic and environmental considerations to social aspects and potential human rights implications. Material environmental issues include, GHG Emissions, Environmental Compliance, Waste, Water and Effluents. Material social topics include, Occupational Health and Safety, Diversity and Equal Opportunities, Training and Education and Employment practices. More information can be found in the ESG report.

b) The Company is aligned to the emission reduction targets as set out in the North Sea Transition Deal, which commits the UK oil and gas industry to reduce absolute production emissions by 10% by 2025, by 25% by 2027, by 50% by 2030, and become Net Zero by 2050 from a 2018 baseline. The Company also supports the World Bank's target of reaching zero routine flaring by 2030.

Since 2021, the Company has set annual emissions targets as part of its annual bonus scheme. Performance against these targets is directly linked to the remuneration of its employees, senior management and executives.

The environmental targets put in place for the Bruce Hub in 2023 included:

- Limiting total Scope 1 emissions to below 200,000 tonnes of CO₂
- Limiting total volumes of flared gas to under 5,000 tonnes

In 2024, the Company will continue to tie emissions reduction initiatives to its remuneration and corporate bonus scheme and has implemented the following emissions related targets:

- Limiting total Scope 1 carbon intensity to 15.5 kgCO₂/boe

The Company also has a suite of other environmental targets and KPIs used to monitor its performance, these include the average daily flaring volumes, the percentage of waste diverted from disposal, the volume of general waste generated and quantity of oil in produced water that is discharged to sea. Performance against these targets is monitored on a regular basis and performance is reported across the organisation.

Five	Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation	<p>a) Describe how the board has embedded effective risk management, internal controls and assurance activities in order to execute and deliver strategy. This should include a description of what the board does to identify, assess and manage risk and how it gets assurance that the risk management and related control systems in place are effective.</p> <p>b) Risk and control information should be disclosed as required in the strategic report and corporate governance statements, including the non-financial reporting narrative.</p> <p>c) Explain the Company's governance around climate-related risks and opportunities; the process for identifying, assessing and managing climate-related risks and how these processes are integrated into the Company's overall risk management framework.</p> <p>d) Explain how the audit committee has monitored and formally considered auditor independence during the corporate reporting cycle.</p>
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Comment

a) The Company's approach to the management and identification of risk is set out in the Business Risks and Uncertainties section of the Strategic Report on pages 28 to 30.

The Company encourages a culture of risk awareness and management at all levels throughout the Company. Risks are reviewed by the Board at every Board meeting and, at executive level, the Company employs outside advisors to assess and advise on risk when it is felt additional third-party expertise is required.

Through the HSE and Audit Committees and the feedback provided by these committees to the Board via verbal and/or written reports and accessible minutes, the Board maintains a full and active awareness of operational and financial risks and the assurances that effective control systems are in place.

b) See Business Risks and Uncertainties section of the Strategic Report on pages 28 to 30.

CORPORATE GOVERNANCE STATEMENT continued

c) The VP ESG and Business Innovation and her dedicated team work on the process of identifying climate-related risks. More information can be found in ESG report.

A dedicated Sustainability Committee was set up in 2023 and reports to the Board on climate-related risks and issues. The Board discusses climate-related risks on a regular basis.

d) The Audit Committee formally assesses the independence of the Company's auditors on an annual basis, there has been a rotation of audit partners after five years to ensure independence is maintained. An audit tender policy was put in place during 2023 which will continue to support auditor rotation and independence

Six	Establish and maintain the board as a well-functioning, balanced team led by the chair.	<p>a) Identify each director and describe the relevant experience, skills, and capabilities that each director has brought to the board's agenda during the year.</p> <p>b) Explain how the board contains (or will contain) the necessary mix of experience, skills, and capabilities – including with reference to diversity characteristics</p> <p>c) Identify those directors who the board considers to be independent; where there are grounds to question the real, or perceived independence of a director, this must be explained.</p> <p>d) Describe the time commitment required from directors (including non-executive directors as well as part-time executive directors) and any restrictions on both executives and non-executives with respect to assuming external roles.</p> <p>e) Include the number of meetings of the board (and any committees) during the year, together with the attendance record of each director.</p> <p>f) Where performance-related remuneration for non-executive directors has been introduced, the company must disclose how it has consulted its shareholders and how their support was obtained.</p>
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Comment

a) Information on each of the directors as at 23 April 2024 is provided on pages 38 to 40. All their details can be found on the Company's website.

b) The make-up of the Company's Board of directors has kept pace with transformational changes made by the Company within the last few years with the introduction of new experience and skill-sets complementing those already on the Board. By this means the Board is continuing to refresh and enhance its performance.

The Board of directors covers a wide range of experience and skills. To meet the requirements of an independent upstream oil and gas exploration, development and production company these experiences and skills must cover financial, legal, operational and technical knowledge experience of risk management and growth in the independent sector and of public markets.

Each of the directors on the Board, Executive, Independent Non-Executive Directors ("INEDs") and Non-Executive Directors ("NEDs"), have considerable experience and all have demonstrated skills which are complementary, independent and sufficient to cover all of the requirements of the Board.

All directors have extensive and complementary skills, knowledge and experience covering all facets of the business which requires both entrepreneurial and custodian oversight.

As the Company continues to grow its business and to refresh the Board the Nominations Committee maintains oversight of the Company's requirements to ensure that the make-up of the Board is kept in line with the Company's needs and provides a mix of experience, skills, personal qualities and capabilities appropriate to the task. These include full consideration to maintain a healthy diversity where this is possible, including gender and ethnic diversity.

c) The Board as at 23 April 2024 has a Non-Executive Chairman, a CEO, a CFO, six INEDs (all are considered independent in terms of character and judgement) and two NEDs The Board is aware of the need to maintain and build upon this balance of backgrounds and to maintain a diversity of talent through succession planning as the Company further develops and the needs of its business grows.

Malcolm Webb, Kate Coppinger, Jérôme Schmitt, Michiel Soeting, Kaat Van Hecke and Sian Rees are INEDs and considered to be independent.

For full background refer to "Board Composition" on page 49 and the Company's website.

d) The Executive directors are expected to devote substantially the whole of their time to their duties with the Company. INEDs and NEDs have a lesser time commitment which is set out in their letter of appointment. It is anticipated that INEDs and NEDs will each dedicate 12 days a year in addition to their duties as Board members and as members from time to time of Board committees.

There is no formal policy restricting the directors external appointments, however the Nominations Committee (and Board) review external appointments and time commitments at least annually, and each director discusses with the Chair any proposed additional appointments prior to being appointed.

e) See page 51.

f) NEDs nor INEDs are not awarded any performance related pay.

Seven	Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up to date experience, skills and capabilities	<p>a) Explain how each director keeps their skillset up-to-date, setting out how the company provides the necessary resources for updating and developing each director's knowledge and skills.</p> <p>b) Set out any board sub-committees that have been established to facilitate more focussed discussions and/or oversight of particular subject matters.</p> <p>c) Where the board or any committee has sought external advice on a significant matter, this must be described and explained.</p> <p>d) Where external advisers to the board or any of its committees have been engaged, explain their role.</p>
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Comment

a) The directors are provided with an AIM Rule briefing from the Company's Nominated Advisor on an annual basis along with dedicated sessions on varying topics from the Company's legal advisors.

The Company's lawyers attend meetings and deliver updates and training to the Board as a whole and individual directors as and when required.

The Audit Committee has requested that the Company's auditor provide details of training that the Audit Committee members may find useful to develop their knowledge further and for them to keep up to date with changes in auditor and accounting regulations, standards and areas of focus.

The Board is aware that there is a need for a structured training plan for all directors. One training plan already in place is the 'Major Accident Awareness Training' course at the Spadeadam facility in north east England. One of the Company's key objectives is to ensure the highest possible standards of Process Safety Awareness. Process Safety is seen as a Company-wide responsibility to prevent major accidents from occurring. All directors will undergo this training which demonstrates the significance of the hazards faced in the industry and the critical importance of Process Safety.

b) The Audit Committee assists with the Board's oversight of the integrity of the financial reporting and the independence and performance of the Company's Auditor.

The Reserves Committee meets prior to the publication of the annual results. The Committee is a sub-committee of the Audit Committee and meets to review the reports of the independent reserves auditors.

The Nominations Committee is responsible for monitoring the overall effectiveness of the Board and its Committees, proposing to the Board new nominees for election as directors to the Board, determining succession plans and for assessing directors on an ongoing basis.

The Remuneration Committee meets to consider all material elements of remuneration for executive directors and senior management, including remuneration policy, share incentive plans and other employee incentive schemes.

The HSE Committee is responsible for matters affecting health, safety and the environment.

The Sustainability Committee is responsible for matters relating to emissions reductions and climate change.

Details of the Terms of Reference for all committees can be found on the Company's website.

c) During 2023, the Board and committees have used a number of external professional advisers in respect of various segments of its business where it was felt that external advice was required.

The Remuneration Committee engaged remuneration consultants to assist in various matters relating to executive remuneration and packages. Further details can be found in the Remuneration Committee report.

The Nominations Committee engaged a leadership advisory firm to assist with executive and non-executive search.

d) The directors have access to the Company's Nominated Advisor, company secretary, lawyers and appointed remuneration consultants and are able to obtain advice from other external bodies as and when required.

The management team and directors are in regular dialogue with the Company's Nominated Adviser. The Nominated Adviser provides ongoing advice on matters pertaining to the Company's compliance with the AIM Rules for Companies.

The Company Secretary advises on corporate governance, arranges, attends and minutes all Board and committee meetings. The Company Secretary works closely with the Chairman, all Board members and advisors of the Company as and when required.

Lawyers are engaged to provide legal advice when required by the management team and by the Board or committees.

The Remuneration Committee have engaged remuneration consultants to provide advice in relation to executive remuneration, benchmarking and remuneration policy.

The Nominations Committee have engaged a leadership advisory firm to assist with executive and non-executive search.

CORPORATE GOVERNANCE FRAMEWORK

Eight	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<p>a) Include a high-level explanation of the board performance effectiveness process.</p> <p>b) Set out when the last externally facilitated board review took place and when the next one is planned for. Where an externally facilitated review has not taken place and there are no plans to have one, this must be explained.</p> <p>c) Where a board performance evaluation has taken place in the year, provide a brief overview of it, how it was conducted and its results and recommendations. Progress against previous recommendations should also be addressed.</p> <p>d) Provide an outline description of the succession planning process including any indicative timelines for expected appointments (to the extent practicable).</p>
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Comment

a) See website disclosure, Principle Eight above and page 50.

The Board conducted an external Board and Committee evaluation process at the end of 2023 and in line with the 2023 QCA Code will conduct a Board evaluation every year.

b) As set out above, the Board conducted an external Board evaluation at the end of 2023. The Company plan to conduct a Board evaluation every year and a review of the Board Committees and NEDs bi-annually.

c) See website disclosure, Principle Eight above. For further information see 'Board Evaluation' page 50.

d) The Nominations Committee meets regularly to consider the requirements of the Board. Consideration is given to succession both planning and timelines and expected changes.

Nine	Establish a remuneration policy which is supportive of long-term value creation and the Company's purpose, strategy and culture.	<p>a) Explain how the remuneration structure and practice supports the delivery and attainment of the Company's purpose, business model, strategy and culture.</p>
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Comment

a) The Remuneration Committee meet regularly to discuss the remuneration structure to ensure that it motivates the executive teams and senior management team and promotes the long-term growth of shareholder value. The Remuneration Committee consults with other committees (HSE and Sustainability) in order to set appropriate incentive targets and to appraise performance in respect of those targets.

Pay structures for the executive team and senior management team are simple and easy to understand and foster alignment with shareholders through building and holding a meaningful shareholding in the Company.

The Remuneration Report on pages 58 to 62 will be put to an advisory vote at the 2024 AGM. The Remuneration Committee shall continue to follow guidance with a view to putting a Remuneration Policy to an advisory vote in the future together with any future share schemes or long-term incentive plans.

Ten	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and any other key stakeholders	<p>a) Within the corporate governance report, reflect on challenges experienced in the year and signpost to how these were addressed at the board and whether any changes were made to board structure or process.</p> <p>b) Include an audit committee report (or equivalent report if such committee is not in place).</p> <p>c) Include a remuneration committee report (or equivalent report if such committee is not in place).</p> <p>d) If the Company has not published one or more of the disclosures set out under Principles 1-10, the omitted disclosures must be identified and the reason for their omission explained.</p>
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Comment

a) See Corporate Governance Report on page 49.

The Board maintains a healthy dialogue between it and its stakeholders including its shareholders. The Chairman is primarily responsible for communicating with shareholders, but the CEO maintains regular dialogue. The SID is also available to communicate with shareholders as required.

Copies of the Company's report and accounts, and all other shareholder communications are maintained on the Company's website.

b) See pages 53 to 54.

c) See pages 58 to 62.

d) The Company has published all of the disclosures set out under Principles 1-10.

Governance Structure

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

The Board retains ultimate accountability for ensuring that the Company has a robust governance framework in place, ensuring that governance is appropriately embedded throughout the business. The Company holds regular Board meetings at which financial, operational, risk and other reports are considered and, where appropriate, voted on. The Board Committees provide regular updates at the meeting. The Board is responsible for the Group's strategy, performance, risk, key financial and compliance issues, approval of any major capital expenditure and the framework of internal controls.

The Chairman has overall responsibility for the management of the Board, which in turn oversees the Company's strategy and operational and financial performance, and manages business requirements through a formal schedule of matters reserved for decision making. An annual rolling Board agenda helps ensure that matters of governance are addressed throughout the year.

There is a clearly defined organisational structure with lines of responsibility and delegation of authority to executive management. The Board is responsible for monitoring the activities of the executive management. As at 23 April 2024, there are a total of 11 directors of which seven are Independent Non-Executive Directors one of whom (Malcolm Webb) acts as Senior Independent Director who provides additional support to the Chairman. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities and is also responsible for facilitating full and constructive contributions from each member of the Board in determination of the Group's strategy and overall commercial objectives. In the event of an equality of votes at a meeting of the Board, the Chairman has a second or casting vote.

The Company is committed to a corporate culture that embraces equal opportunity, diversity, social responsibility, safety and commitment to the environment and is based on sound

ethical values and behaviours and it seeks to instil these values across the organisation as a whole. The Company promotes its commitment through its public statements on its website, in its report and accounts, ESG report and internally through its communications to its employees and other stakeholders.

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

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

Board Composition

As at 31 December 2023, the Board of the Company consisted of the Non-Executive Chairman, the Chief Executive Officer, Chief Financial Officer, six Independent Non-Executive Directors and two Non-Executive Directors. The Chair and Malcolm Webb, as the senior Independent Non-Executive director, along with the other Independent Non-Executive Directors ensure that the Board remains independent. All the Independent Non-Executive Directors are independent in character and judgement. The appointments of Robert Lawson and Guillaume Vermersch as Non-Executive Directors in March 2023 following the Company's acquisition of Tailwind Energy Investments Ltd strengthen the Board further.

The Board is mindful of the importance of ensuring that the directors have a mix of experience, skills, independence and diversity across the Board.

During 2023, Michiel Soeting was appointed to the Board bringing a

wealth of financial experience, following the retirements of Antony Craven Walker and Trevor Garlick in 2023, the appointments of Kaat Van Hecke and Sian Lloyd Rees as Independent Non-Executive Directors continues to provide the Board with a wide range of experience and calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. The appointment of Martin Copeland, replacing Andrew Bell as Chief Financial Officer which was announced to the market on 5 February 2024 will bring a full range of financial capabilities and relevant market knowledge.

There are to be further changes as announced to the market in February 2024 and 16 April 2024 with the departure of Mitch Flegg as CEO and David Latin (Chairman of the Company) taking on the role of Interim CEO effective 24 April 2024) for a period of time whilst the Board secures a successor to Mr Flegg. Malcolm Webb has informed the Board of his wish not to stand for re-election at the AGM.

Board Committees and Structure

The Board has the following Committees: Nominations Committee, Audit Committee (including Reserves Committee), Health, Safety & Environment Committee, Remuneration Committee and Sustainability Committee. All Committees operate under clearly defined terms of reference to ensure proper functioning and effective application of best practice. The Committee terms of reference are reviewed by the Committees and by the Board on an annual basis. Committees are required to report back to the Board following a Committee meeting.

More detailed information of each Committees can be found on pages 52 to 62.

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

David Latin

Non-Executive Chairman

23 April 2024

BOARD EVALUATION/REVIEW OF THE BOARD'S EFFECTIVENESS

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

As set out in our report last year, it was recognised that, with the expansion of the Board in parallel with the growth of the Company's activities and the need to meet the requirements of the QCA Code, a formal evaluation process for each of the Board and its Committees was required. In November 2023 performance evaluations of the Board and of each of its Committees was undertaken by an external advisor (Nurole) where recommendations were put to the Board and each Committee for review. Key themes emerged from this review including Board appetite for increased focus on strategy and growth.

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

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

The Company Secretary helps keep the Board up to date with developments in corporate governance and liaises with the Nomad on areas of AIM requirements. The Company Secretary has frequent communication with the Chairman, Chief Executive Officer, Chief Financial Officer and chairs of the Committees and is available to other members of the Board as required.

The Directors are also able, at the Company's expense, to obtain advice from external advisers if required.

The Board is mindful of the need for succession and diversity planning when making Board changes and is actively putting this in place with three new appointments made in the last twelve months, together with the CEO change as announced in February 2024, with full consideration of diversity aspects where this is possible and uses independent external advisers to help the Board meet these objectives. The Nominations Committee regularly monitors the requirements for succession planning and Board appointments to ensure that the Board is fit for purpose and keeps pace with the evolution of the Company. The assistance of an external recruitment advisor was used to make recent Independent Non-Executive Director appointments and, if assistance with recruitment is required by the Committee, this will continue to be made available.

The Nominations Committee is mindful of the Board's performance and composition together with the performance of individual Directors and senior management.

Matters Reserved for the Board

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

Strategy and Management

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

Structure and Capital

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

Financial Reporting and Controls

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

Internal Controls

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

Finance

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

Contracts

All contracts above £20m; major capital contracts over £20m; contracts which are material or strategic; contracts outside of the approved budget and not in the ordinary course of business; major investments or any acquisitions/disposals and transactions with Directors or other related parties which are not in the ordinary course of business.

Communications

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

Board membership and Succession Planning

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

Remuneration

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

Delegation of Authority

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

Corporate Governance Matters

Review of the Company's overall corporate governance arrangements.

Other

Policies including the share dealing code; appointment or change of the Company's principal professional advisers and auditors; overall levels of insurance for the Company; material litigation; any decision likely to have a material impact on the Group or Company from any perspective including, but not limited to, financial, operational, strategic or reputational; matters reserved for Board decisions and which the Board considers suitable for delegation are contained in the

terms of reference of its Committees; and the grant of options, warrants or any other form of security convertible into shares.

Directors' attendance at meetings

The Directors' attendance at Board meetings and Board committees during 2022 is detailed in the table below:

		Ad hoc Board (which include administrative meetings (e.g. share allotments where the whole Board is not required))							
Director	Board (attended/ eligible to attend)		Audit	Remuneration	Nominations	HSE	Reserves	Sustainability	
D. Latin*	9/9	5	–	5*	4	3*	1	2	
A. Craven Walker**	5/5	1	–	–	5	–	–	–	
M. Flegg	9/9	5	–	–	–	4	1	4	
M. Webb	9/9	5	5	8	7*	–	–	–	
T. Garlick**	4/5	1	4	–	2	2*	1*	2*	
K. Coppinger	9/9	5	6*	8*	–	–	–	–	
A. Bell	9/9	5	–	–	–	–	–	–	
J. Schmitt	9/9	5	–	–	–	2	–	3*	
M. Soeting***	8/8	5	5*	3	–	–	–	–	
K. Van Hecke***	4/4	4	1	–	–	2*	–	–	
S. Lloyd Rees***	4/4	4	–	2	–	–	–	1	
R. Lawson***	7/7	5	–	–	3	–	–	–	
G. Vermersch***	7/7	5	–	–	–	–	–	–	

Notes:

During the year, following a change in the composition of the Board, there were a number of changes made to each Committee membership including changes made to the Chair of each Committee.

Directors attended a number of meetings of Committees of which they were not members during the course of the year at the invitation of the Committee chair, the number of meetings attended by non-committee members have not been recorded in the above table.

* Chair

** Antony Craven Walker retired from the Board on 30 June 2023 and Trevor Garlick retired from the Board on 17 July 2023.

*** Michiel Soeting joined the Board in February 2023, Rob Lawson, Guillaume Vermersch joined the Board on 23 March 2023 and Kaat Van Hecke and Sian Lloyd Rees joined the Board on 17 July 2023.

NOMINATIONS COMMITTEE REPORT (PREVIOUSLY NOMINATIONS & CORPORATE GOVERNANCE COMMITTEE)

The Nominations Committee assisted the Board on succession planning at senior level and on matters related to Corporate Governance.

Following changes to the Company's Board composition in March 2023, the Committee's membership comprised Malcolm Webb (Senior Independent Non-Executive director and Committee Chair), David Latin (Non-Executive Chairman of the Company) and Robert Lawson (Non-Executive Director). In March 2024 and anticipating his taking up the role of Interim CEO in April 2024, David Latin stood down from the Committee to be replaced by Kate Coppinger (Independent Non-Executive Director).

Also in March 2024, the Committee's Terms of Reference were refocussed solely on matters related to succession planning and senior appointments with full responsibility for Corporate Governance returned to the Board and its Chairman, advised by the Company Secretary.

The Committee met seven times during 2023, and has, so far, met four times in 2024.

Independence of Non-Executive Directors

Following a review and enquiry, including consideration of relevant factors as outlined in the updates made to the QCA Code in 2023, the Committee and the Board are satisfied that each Independent Non-Executive director of the Company remains independent and that all of the Non-Executive Directors continue to have sufficient time to discharge their responsibilities to the Company.

Board changes

Michiel Soeting was appointed as an Independent Non-Executive Director in February 2023. Pursuant to the terms of the Tailwind acquisition agreement, Guillaume Vermersch and Robert Lawson were appointed as Non-Executive Directors in March 2023. Antony Craven Walker and Trevor Garlick (Independent Non-Executive Director) retired from the Board in June and July 2023 respectively. David Latin replaced Mr Craven Walker as Non-Executive Chairman in June 2023. Kaat Van Hecke and Sian Lloyd Rees were appointed as Independent Non-Executive Directors in July 2023. In February 2024 and April 2024, the Company announced that Mitch Flegg would be stepping down as CEO and that David Latin (Chairman of the Company) would also assume the role of Interim CEO until a permanent replacement is appointed.

The Committee's activities during 2023 and into early 2024 included:

- Maintaining and helping the Board to implement succession plans at Board and Senior Executive level.
- Assisting on the streamlining and hence improved efficiency of Board processes.
- Advising on the membership of Board Committees.
- Introducing a new induction process for directors.
- Assisting the Chairman to conduct Board and Committee evaluations with external professional advisers (Nurole), which evaluations, whilst confirming the strength of the Board and its Committees, also gave practical suggestions for continued improvement, which were accepted and are being acted on.
- Updating of the terms of reference of all Board Committees.
- Advising on the adoption of the QCA 2023 Corporate Governance Code.

2024 Looking Forward:

The scope of the Committee changed in March 2024 with the decision that oversight of 'Corporate Governance' should be elevated and reinstated as a prime responsibility of the Board, led by the Chairman with professional support and advice from the Company Secretary. This in turn allows the Committee, now renamed Nominations Committee, to focus its time and attention on:

- Evaluation of the effectiveness of the Board and its Committees.
- Reviewing the independence and ability of Non-Executive Directors to fulfil their duties as directors of the Company.
- Succession planning for Board and Senior Executive roles.
- The recruitment and continuing education of directors.

Malcolm Webb

Chair of the Nominations Committee

23 April 2024

AUDIT COMMITTEE REPORT

Purpose and Responsibilities

The Audit Committee is a standing committee of the Board and reviews and makes recommendations to the Board on all material financial decisions affecting the Company, including:

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

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

Membership

The Committee's membership was reviewed during the year following various Board appointments and now comprises Michiel Soeting (Committee Chair), Kate Coppinger and Kaat Van Hecke all of whom are Independent Non-Executive Directors. The Chief Financial Officer and Group Treasurer and external auditors are also invited to attend the meetings. Mr Soeting (Committee Chair), a qualified Chartered Accountant has over 30 years' experience in the audit and financial sector, 20 of which in oil and gas. Mr Soeting has extensive financial expertise and strong experience in governance, risk management and regulatory compliance related matters.

The Committee meets at least four times a year and in 2023 met on six occasions. It has met three times so far in 2024. The Committee also holds private sessions with management and with the external auditor without management present whenever it deems it appropriate to do so.

2023 activities and into early 2024 included:

- Reviewing the financial reporting judgements and key accounting estimates associated with the Company's full and half-year results.
- Reviewing the impact of the Energy Profits Levy, introduced in the United Kingdom.
- Considering scenarios for climate-related disclosures in the Annual Report.
- Reviewing the Company's Hedging Policy including risks and threats.
- Reviewing and agreed an audit tender policy.

- Reviewing and updated the Committee Terms of Reference.
- Agreeing a Committee work programme for 2024.
- The Committee was satisfied that the Group does not currently require an internal audit function, although this will be kept under review as the Company continues to grow.
- Reviewing and made recommendations to the Board regarding dividends and other payments which could be made to shareholders by the Company during the course of the year.
- Reviewing the findings of the Reserves Committee.
- Reviewing and overseeing the succession of the Chief Financial Officer.
- Making a recommendation to the Board to approve a hedging policy.

External Auditors

The external auditors, EY, were re-appointed in 2023 at the Company's annual general meeting. The Serica Group fee to EY for the financial year to 31 December 2023 is £885,000. The Audit Committee undertook a comprehensive review of the quality, effectiveness, value and independence of the audit provided by EY each year.

The Committee is comfortable that EY's audit remained independent during the year. Auditor independence is considered at the planning phase of each corporate reporting cycle. Management upon the request of the Committee are also in the process of putting in place a policy for non-audit services to be provided by EY. EY assigned a new audit partner after the previous audit partner had served a maximum term of 5 years. In 2023, the Committee introduced an Audit Tender Policy which requires a tender process to be run every 10 years with effect from 2018 when the Company underwent a major and transformative change in its size and the scope of its operations.

AUDIT COMMITTEE REPORT continued

2024 looking forward:

The Committee, will continue to work according to its Terms of Reference, and in particular:

- Continue to oversee the transition of the Chief Financial Officer during the year.
- Keep under review the Company's existing control framework.
- Ensure that risk management procedures and controls over financial reporting remain appropriate.
- Continue to consider whether there is a need for an internal audit function.
- Continue to assess the Company's hedging policy and practice.
- Continue to adhere to the Quoted Companies Alliance Corporate Governance. Code ("QCA Code"), Audit Guide and updates made to the QCA code in 2023.
- Review the appropriate climate related disclosures within the Annual Report.
- Consider whether a dividend or other payments can be made to shareholders under the Company's financial framework.
- Review the quality and independence of the Company's external auditors.
- Undertake a review of its Terms of Reference.

Michiel Soeting

Chair of the Audit Committee

23 April 2024

RESERVES COMMITTEE REPORT

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

The Committee composition changed during the year after Trevor Garlick retired from the Board and David Latin replaced Antony Craven Walker as Non-Executive Chairman of the Company in June 2023. The current Committee members are Kaat Van Hecke who joined the Board in July 2023 (Independent Non-Executive director and Committee Chair), Mitch Flegg (Chief Executive Officer of the Company) and from April 2023 Michiel Soeting (Independent Non-Executive director). The Committee met once in 2023 and typically meets once a year prior to publication of the annual results. The VP Technical is invited to attend the meeting. David Latin will join the Committee following Mitch Flegg's departure.

2023 activities and into early 2024 included:

- Working with the reserves auditor, RISC Advisory, who audited the work carried out by the Company's technical team to calculate reserves in respect of each field.
- Meet with management and the qualified reserves auditor to review the reserves data and the auditor's annual reserves report.
- Discussing assumptions related to cessation of production and life extension.
- Reviewing assets added to the portfolio since the last CPR (Tailwind acquisition) and the evaluation process used to incorporate them into the reserves of the expanded portfolio.
- Reviewing and recommending to the Board approval of the content and filing of the Company's annual statement of reserves.

Kaat Van Hecke

Chair of the Reserves Committee

23 April 2024

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE REPORT

The Health, Safety & Environment Committee provides assurance to the Board on occupational health & safety leadership. It is primarily focused on ensuring that health & safety policies are adopted and applied across the Group. Until last year, Environmental, Social and Governance (ESG) also fell under the Committees remit, however a separate Sustainability Committee was established focusing primarily on monitoring environmental performance, tracking our emissions reduction action plan projects (ERAP), ESG reporting and reviewing investment options in the energy transition sector.

The Committee composition changed during the year after Trevor Garlick retired from the Board and David Latin replaced Antony Craven Walker as Non-Executive Chairman of the Company in June 2023. The current Committee members are Kaat Van Hecke who joined the Board in July 2023 (Independent Non-Executive director and Committee Chair), Mitch Flegg (Chief Executive Officer of the Company) and Jérôme Schmitt who joined the Committee in July 2023 (Independent Non-Executive director). The VP Operations is invited to attend the meeting to present his report. David Latin will join the Committee following Mitch Flegg's departure.

During 2023, the Committee has met quarterly to discuss matters pertaining to Health & Safety issues. The Committee consider all the Company's operations, ensuring that adequate HSE policies are adopted and applied across the Group and the Safety Leadership of both Management and the workforce is visible and impactful.

2023 activities and into early 2024 included:

- Evaluating HSE performance against industry standards and acted on Regulator feedback.
- Monitoring interactions with the HSE inspector and ensured that the relationship with the Regulator is constructive and responsive.
- Monitoring delivery of HSE performance against the HSE and Risk Management Plan at each meeting.
- Monitoring HSE performance of personal and process safety metrics, looking at both leading and lagging indicators.
- Reviewing major and reportable HSE incidents that occurred, investigations and lessons learned at each meeting.
- Reviewing Maintenance Backlogs and the Innovative Campaign Execution Plan to address the backlog at each meeting.
- Integration of Tailwind and reviewing Health and Safety on the Triton Vessel.
- Conducting a risk review of the upcoming well work and drilling programme.
- Reviewing and fed into the Process Safety Improvement Plan.
- Agreeing with the Remuneration Committee the HSE performance metrics linked to the Company bonus scheme.
- Reviewing the Committee Terms of Reference.

2024 looking forward:

During 2024, the Committee plans to continue to review the on-going HSE procedures and culture, evaluate HSE performance against our internal plan and industry standards, evaluate performance against the internal 2024 plan, agree a HSE bonus scorecard for 2024 to be linked to the Company bonus scheme for 2024 and ensure that the HSE policy and procedures remain effective. The Committee will continue to monitor progress against the maintenance backlog campaigns and start to monitor the effectiveness of the process safety improvement plan.

Kaat Van Hecke

Chair of the Health, Safety and Environmental Committee

23 April 2024

SUSTAINABILITY COMMITTEE REPORT

The Sustainability Committee was formed in early 2023 and provides assurance to the Board on Environmental, Social and Governance (ESG) which previously fell under the Health & Safety Committee's remit. The Sustainability Committee focuses primarily on monitoring environmental performance, tracking our emissions reduction action plan projects (ERAP), ESG reporting and reviewing investment options in the energy transition sector. In addition, the Committee oversees and advises the Board on the Company's strategies, goals and commitments related to sustainability and ESG. The strategies, goals and commitments include but are not limited to: diversity and inclusion, human rights, human capital management and supply chain management. A separate ESG Report is also published separately.

The Committee members are Jérôme Schmitt (Independent Non-Executive director and Committee Chair), Mitch Flegg (Chief Executive Officer of the Company) and Sian Lloyd Rees (Independent Non-Executive director). The VP Operations, VP ESG, Business Innovation, ESG Analyst and Energy Transition Engineering Advisor are invited to attend the meetings. David Latin will join the Committee following Mitch Flegg's departure.

During 2023, the Committee has met quarterly to discuss matters pertaining to ESG.

The Committee's role is to assist the Board in fulfilling its responsibility to review and provide oversight of the Company's strategies, goals, policies, procedures, performance and disclosure related sustainability and ESG matters.

2023 activities and early into 2024 included:

- Establishing the Committee Terms of Reference.
- Reviewing the results of the Materiality Survey sent to the Company and its stakeholders (including employees, contractors and suppliers) and the Materiality Matrix 2022 and changes since 2021.
- Reviewing and discussed the Company's ESG Rating Scores received from scoring agencies in comparison with its peers.
- Advising the Remuneration Committee of the agreed ESG performance metrics linked to the Company bonus scheme.
- Reviewing the Bruce Asset Emissions Reduction Action Plan (ERAP) and project progression plan.
- Reviewing the Taskforce on Climate Related Financial Disclosures workplan to understand the Company's reporting obligations.
- Reviewing the Government's approach to energy security and delivering Net Zero.
- Reviewing the Methane Action Plan.
- Reviewing the environmental performance on Bruce and Triton.
- Considering and monitoring the ERAP together with potential projects and investment criteria.
- Overseeing and reviewing Serica's Climate Related Risk Register.
- Considering the Company's Sustainability Roadmap and provided feedback to management.

2024 looking forward:

During 2024, the Committee plans to continue to monitor plans to reduce carbon intensity and emissions and track against targets, review potential energy transition projects and ensure transparent and comprehensive ESG reporting.

Jérôme Schmitt

Chair of the Sustainability Committee

23 April 2024

DIRECTORS' REMUNERATION REPORT

The Remuneration Committee

The Remuneration Committee is a standing Committee of the Board and meets regularly to consider all material elements of remuneration policy, share schemes, the remuneration and incentivisation of Executive Directors and senior management. The Committee also reviews and makes recommendations based on benchmarking data relating to the attraction, compensation, evaluation and retention of Executive Directors and key senior management. The Committee aims to ensure that fair and competitive compensation is awarded with appropriate performance incentives across the Company.

The Committee comprises Kate Coppinger (Independent Non-Executive Director and Committee Chair from June 2023), Michiel Soeting (Independent Non-Executive Director from February 2023) and Sian Lloyd Rees (Independent Non-Executive Director from July 2023). Malcom Webb (Senior Independent Non-Executive Director) was a member of the Committee until March 2024 and David Latin was Chair and member of the Committee until June 2023. The Committee met eight times in 2023 and has, so far, met four times in 2024.

The Committee invites the Chief Executive Officer to attend meetings to provide business context, but he is not present when his own remuneration is discussed. FIT Remuneration Consultants LLP (FIT) attended some meetings to provide external support. FIT is a founding member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. FIT provides no other services to the Company.

Consideration by the Committee of matters relating to Directors' remuneration

The Committee is responsible for reviewing and deciding the framework for the remuneration of the Executive Directors, Chair of the Board and other members of key senior management. The Committee works within its terms of reference, and its role includes:

- Reviewing the Company's overall remuneration philosophy and programmes.
- Determining the remuneration policy for all Executive Directors and, under guidance of the Executive Directors,

other members of the key senior management team.

- Ensuring Executive Director remuneration packages are competitive.
- Determining the structure of the annual bonus plan, determining annual bonus outcomes and approving payments to the Executive Directors.
- Determining each year whether any awards/grants should be made under the incentive schemes and the value of such awards.
- Consider recommending to the Board launching a Save As You Earn invitation on an annual basis.
- Considering long-term incentive (LTIP) scheme awards and performance criteria.
- Reviewing share allocation and employee share schemes and recommending to the Board the framework for all employee share schemes.
- Agreeing service contracts and notice periods.
- Reviewing the Gender Pay Gap.
- Reviewing the Company's compliance with any applicable Corporate Governance Code in relation to remuneration policy.

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

The Committee's activities in 2023 and early 2024 included:

- Reviewing the measures and targets for the all employee cash bonus scheme for 2023.
- Agreeing the 2023 salary increases for the Executive Directors following a third party benchmarking exercise.
- Approving the grant of LTIP awards for 2023.
- Recommending that the Board approve a Sharesave Scheme invitation for 2023.
- Approving the vesting of performance awards granted in 2020.
- Approving the outcome of the 2023 cash bonus (to all employees) and the discretionary executive bonus.

- Reviewing pay according to job groupings across the Company and being satisfied that no gender pay gap exists.
- Recommending to the Board making a change to the measurement of the share price performance condition of the 2022 LTIP award under the LTIP Plan to ensure that share price performance is measured over the final six months during the three year performance period.
- Approving the compensation package for Martin Copeland as the new CFO.
- Approving the compensation for David Latin as the new Chairman of the Board.
- Reviewing and recommending changes to be made to the Committee Terms of Reference.
- Approving the compensation package for the temporary arrangements for David Latin as interim CEO and reviewing and approving the exit arrangements for Mitch Flegg.

Looking forward to 2024, we anticipate the following:

- Following the recent updates made to the Quoted Company Alliance Code (QCA Code) 2023 and in particular new Principle 9, one of the key changes relates to remuneration and requires companies to put in place a formal remuneration policy ("Policy") that is supportive of long-term value creation and the company's purpose, strategy and culture. The Committee has engaged FIT to help review the Policy for compliance with the QCA Code and wider market practice prior to considering any future formal vote.
- Further, the application requirements of Principle 9 also states that the remuneration report should be put to an advisory vote at the AGM. The Committee reviewed the requirements and has made a recommendation to the Board to adopt this approach for the 2024 AGM which is earlier than required by the new QCA Code.
- Approving the compensation package for the new CEO when appointed.
- Continuation of key Committee tasks as set out in the Committee's Terms of Reference.

Executive Directors' service contracts

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

Director	Effective term	Notice period
Mitch Flegg	21 November 2017	6 months from Executive 12 months from Company
Andy Bell	3 September 2021	6 months from Executive 6 months from Company
Martin Copeland	5 February 2024	6 months from Executive 6 months from Company

Executive remuneration

The table below sets out the single total figure of remuneration and breakdown for each Executive Director paid for the 2023 financial year.

	Mitch Flegg	Andy Bell
Salary	£575,000	£345,000
Benefits	£624	£1,266
Pension Allowance	£75,791	£45,475
Annual Bonus	£371,306	£247,227
Total	£1,022,721	£638,968
Total fixed pay	£651,415	£391,741

Additional Details

Base salary

Mitch Flegg was awarded a 9.94% increase to £575,000 with effect from 1st January 2023. This increase reflected that the size and scale of the role had increased significantly following the Tailwind acquisition and the Committee felt it was necessary to recognise Mitch's experience and performance in the role. Andy Bell was awarded an increase of 5.18% to £345,000 with effect from 1st January 2023. The average increase for all other employees in 2023 was 8%.

Benefits and Pension

The Executive Directors are entitled to a suite of company benefits which include private medical insurance and income protection insurance. A cash allowance of 13% of salary (which is aligned to that of the wider workforce) is payable in lieu of membership to the Company's pension scheme.

Annual Bonus

The annual bonus maximum for 2023 was set at 125% of salary for the CEO and 100% of salary for the CFO. These award levels were set taking into account the size and scale of the business, particularly following the Tailwind acquisition.

For 2023, the annual bonus was based on a scorecard of measures featuring:

- Share price performance, production performance and HSE/ESG performance (40% weighting).
- Successful integration of Tailwind (10% weighting).
- Value creation (20% weighting).
- Personal and organisational development (10% weighting).
- Increasing shareholder confidence (20% weighting).

The targets were set to be challenging, yet realistic in light of market conditions, internal forecasts and external consensus.

Achievement against the scorecard was assessed by the Committee, taking into account input from the HSE Committee and other independent directors as appropriate. When determining performance, the Committee considered a number of quantitative and qualitative factors which included, for example; production levels, overall safety performance and carbon dioxide emissions.

The Committee determined the annual bonus for 2023 was £371,306 for the CEO and £247,227 for the CFO. The Committee considered the bonus outcomes in light of wider stakeholder experience and was satisfied that no adjustments were required.

DIRECTORS' REMUNERATION REPORT continued

Share Incentive Plans

The Company operates two discretionary incentive share plans: (i) the Serica Energy Plc Long Term Incentive Plan (the "LTIP"), which was adopted by the Board on 20 November 2017 which permits the grant of share-based awards to Directors and employees of the Group; and (ii) the Serica 2005 Option Plan, which was adopted by the Board on 14 November 2005. Awards can no longer be made under the Serica 2005 Option Plan, however, options remain outstanding under the Serica 2005 Option Plan. The LTIP is known as the "Discretionary Plan". The Discretionary Plan will govern all future grants of options by the Company to Directors, officers and employees of the Group. The Directors intend that the maximum number of ordinary shares which may be utilised across all of the Company's share option plans will not exceed 10% of the issued ordinary shares of the Company from time to time in line with the recommendations of the Association of British Insurers.

The objective of the Discretionary Plan is to align the interest of Directors, officers and employees with shareholders. It is also designed to encourage them in the growth and development of the Group by providing them with the opportunity to acquire an interest in the Company and to assist the Company in retaining and attracting executives with experience and ability.

Vested awards are satisfied through the issuance of new shares.

Following the approval of the Company's 14p per share final 2022 dividend to shareholders in 2023, dividend accrual amounts of 68,146 LTIP scheme interests (nil cost) were granted in relation to the 2,500,000 Serica 2005 Option Plan awards that had fully vested.

Serica 2005 Option Plan

Antony Craven Walker, who stepped down as Chairman at the 2023 AGM was previously granted, when serving in an executive capacity 2,500,000 options under the 2005 Plan. Following his retirement, Mr Craven Walker exercised all options in full in 2023 at the following prices:

Number of Options	Exercise Cost
1,000,000	£0.12
1,000,000	£0.18
500,000	£0.24

Long Term Incentive Plan

The Company operates the Serica Energy Plc Long Term Incentive Plan (the "LTIP"), which was adopted by the Board on 20 November 2017 which permits the grant of share-based awards to executive directors, senior employees and on some occasions to all employees of the Company.

Performance Share Awards were granted in May 2023 (vesting in May 2026) at (125% of salary for Chief Executive Officer ("CEO") and 100% of salary for the Chief Financial Officer) which were subject to the achievement of absolute share price performance over a three-year period (50% weighting) and specific carbon intensity reduction targets to the period ending 31 December 2025 (50% weighting). The Performance Share Award granted in 2023 to the CEO was increased from 100% of salary in previous years following advice taken from external remuneration consultants (FIT).

Share price performance is to be assessed using the average share price over the final six months of the three-year performance period. The target range used for both measures includes a sliding scale with none of the award vesting at Threshold (300p) and rising pro-rata to full vesting for achieving the Maximum (500p).

The performance condition on carbon intensity is based on the Company's operated portfolio. The target is to achieve a 10% improvement in the weighted average carbon intensity from the operated portfolio. In 2022 the weighted average was 17.5kgCO₂/boe ("Current Carbon Intensity"), the target is therefore set as an average of 15.7kgCO₂/boe (over any calendar year) ("Lowest Average Carbon Intensity"). For the condition to be met in full, the Lowest Average Carbon Intensity must be lower than an average of 15.7kgCO₂/boe over any calendar year during the CO₂ performance period (1 January 2023 until 31 December 2025).

The target is tested on a yearly basis and a proportion of the award (one third of the award each year) attributed to carbon intensity is capable of being met when tested at 31 December 2023, 31 December 2024 and 31 December 2025.

If the Lowest Average Carbon Intensity is lower than the Current Carbon Intensity as at 31 December 2023, the target for the first calendar year would have been met and one third of the Performance Share Award attributed to carbon intensity can be exercised upon vesting of the award. The target will be tested again at 31 December 2024 (second calendar year) and 31 December 2025 (third calendar year) to determine whether the target has been met and the proportion (one third of the award each year) of the Performance Share Award attributed to carbon intensity is capable of exercise upon vesting of the award.

For the avoidance of doubt, if the Lowest Average Carbon Intensity is equal to or higher than the Current Carbon Intensity over any calendar year during the CO₂ performance period, then that proportion attributed to carbon intensity will lapse and will not be capable of exercise.

The target in respect of the 2020 Performance Share Awards were met and vested in full on 18th May 2023. The target share price of 207.2p (representing a 100% increase from the base price (103.6p)) was met in full as externally verified.

All Performance Share Awards are structured as nil-cost options and may be exercised up until the tenth anniversary of the date of grant. The table below shows the outstanding LTIP awards.

Director	2023	2022	2021	2020 (vested in full)
Antony Craven Walker*	–	49,942	407,881	386,100
Mitch Flegg	319,444	147,615	587,349	386,100
Andy Bell	153,333	92,576	306,210	224,478
	472,777	378,491	1,480,908	996,678

* Awards made to Antony Craven Walker in 2021 and 2022 were pro-rated due to his retirement, pro-rated figures are set out in the table above. Following his retirement, all vested awards granted to Antony Craven Walker were exercised in full in 2023.

Performance Share Awards were granted 2021, 2022 and 2023, and were subject to different vesting criteria based on absolute share price performance and ESG performance targets to be met.

Participants are entitled to dividend equivalents on vested awards.

The Chair, the Independent Non-Executive Directors and the Non-Executive Directors

From 1 April 2023 the Non-Executive Directors' (NEDs) and Independent Non-Executive Directors' (INEDs) base fees were increased from £50,000 to £60,000. A decision was made to increase these fees to be more reflective of the work undertaken by the NEDs and INEDs. Additional Board Committee Chair fees remained unchanged at £10,000. The Company Chair fee is £200,000.

Independent Non-Executive Directors & Non-Executive Directors	Pro-rated Director Fees (£)	Pro-rated Board Chair/ Committee Chair Fees (£)	Total fees (£)
Antony Craven Walker ¹ (until 29/06/2023)	–	–	–
Malcolm Webb	57,500	10,000	£67,500
Trevor Garlick (until 17/07/2023)	30,038	5,423	£35,461
Kate Coppinger	57,500	10,000	£67,500
Jérôme Schmitt (committee chair from 01/04/2023)	57,500	7,500	£65,000
Michiel Soeting (Director from 01/02/2023 and committee chair from 01/04/2023)	53,333	7,500	£60,833
David Latin ¹ (Independent Non-Executive Director until 28/06/2023 and Company Chair from 29/06/2023)	57,500	105,833 ²	£163,333
Robert Lawson (from 23/03/2023)	46,346	–	£46,346
Guillaume Vermersch (from 23/03/2023)	46,346	–	£46,346
Kaat Van Hecke (from 17/7/23)	27,538	4,590	£32,128
Sian Lloyd Rees (from 17/7/2023)	27,538	–	£27,538

1 Following Mr Craven Walker's appointment as Non-Executive Chair on 1 July 2022 his annual fees for the role of Non-Executive Director and Non-Executive Chair were £50,000 and £125,000 per annum respectively. However, Mr Craven Walker waived his entitlement to both the Non-Executive Director and Non-Executive Chair fees until July 2023 while he was receiving payment in lieu of the one year notice served during 2022 under his Executive Service Contract. The total payment for 2022 was £490,000 and in 2023 was £245,000.

2 £5,833 for chair of the Remuneration Committee and £100,000 for chair of the Company.

DIRECTORS' REMUNERATION REPORT continued

Following Mr David Latin's appointment as Non-Executive Chair on 28 June 2023 his annual fees for the role of Non-Executive Director and Non-Executive Chair were pro-rated as follows:

	Chair Fee	INED Fee	Chair of Committee Fee	Total	Note
1 January – 29 June 2023 INED and Chair of Remuneration Committee	–	£27,500	£5,833	£33,333	Pro-rated
1 July – December 2023 Chairman Fees	£100,000	£30,000	–	£130,000	Pro-rated

Directors' (as at end of 2023) Outstanding Share Awards

Name:	2018 award	2019 award	2020 award	2021 award	2022 award	2023 award	Grand Total
Andy Bell	800,000	234,308	224,478	306,210	92,576	153,333	1,810,905
Mitch Flegg	1,500,000	411,067	386,100	587,349	147,615	319,444	3,351,575
Grand Total	2,300,000	645,375	610,578	893,559	240,191	472,777	5,162,480

* M. Flegg's 2022 and 2023 award will be pro-rated on his departure.

Mr Bell and Mr Flegg are entitled to dividend equivalents on vested awards.

Kate Coppinger

Remuneration Committee Chair

23 April 2024

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

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

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

- a. the likely consequences of any decision in the long term,
- b. the interests of the Company's employees,
- c. the need to foster the Company's business relationship with suppliers, customers and others,
- d. the impact of the Company's operations on the community and environment,
- e. the desirability of the Company maintaining a reputation for high standards of business conduct, and
- f. the need to act fairly as between members of the Company.

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

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

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

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

Employees

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

We ensure that:

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

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

Suppliers, Customers and Regulatory Authorities

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

Community and Environment

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

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

continued

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

Maintaining High Standards of Business Conduct

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

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

Shareholders

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

The primary communication tool with our shareholders is through the Regulatory News Service, ("RNS") on regulatory matters and matters of material substance. The Company's website provides details of the business, investor presentations and details of the Board and Board Committees, changes to major shareholder information, QCA Code disclosure and updates under AIM Rule 26. Changes are promptly published on the website to enable the shareholders to be kept abreast of Company's affairs. The Company's Annual Report and Notice of AGM are available to all shareholders. The Company also published its ESG report in 2022 which is available to all shareholders. The Interim Report and other investor presentations are also available on our website.

The Board acknowledges that encouraging effective two-way communication with shareholders encourages mutual understanding and better connection with them. Investor events are also arranged with shareholders throughout the year which present an opportunity for shareholders to speak with the Executive Directors in a formal environment and in more informal one to one meetings. By providing a variety of ways to communicate with investors the Company feels that it reaches out to engage with a wide range of its stakeholders.

On behalf of Board

David Latin

Non-Executive Chair

23 April 2024

DIRECTORS' RESPONSIBILITIES STATEMENT in relation to the Group financial statements

The Directors are responsible for preparing the Strategic Report, the Director's Report and financial statements in accordance with applicable United Kingdom law and regulations and UK-adopted International Accounting Standards.

Company law requires the Directors to prepare financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK adopted International Accounting Standards. Under United Kingdom company law the Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the profit or loss of the Group for that period.

In preparing these Group financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group has complied with UK-adopted International Accounting Standards, subject to any material departures disclosed and explained in the financial statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in UK adopted International Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

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

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

INDEPENDENT AUDITOR'S REPORT to the members of Serica Energy plc

In our opinion:

- Serica Energy plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Serica Energy plc (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2023 which comprise:

Group	Parent company
Group balance sheet as at 31 December 2023	Balance sheet as at 31 December 2023
Group income statement for the year then ended	Statement of changes in equity for the year then ended
Group statement of comprehensive income for the year then ended	Related notes 1 to 11 to the financial statements including material accounting policy information.
Group statement of changes in equity for the year then ended	
Group cash flow statement for the year then ended	
Related notes 1 to 31 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

- obtaining an understanding of management's going concern assessment process including discussions with management to assess whether key factors were taken into account;
- obtaining management's going concern assessment including the cash forecast covering the period to 30 June 2025 (the going concern period). Management's assessment included a base case and a downside scenario, which are described in the basis of preparation in note 2 to the financial statements;
- testing the clerical accuracy of the model and confirming that the method used to calculate the cash forecast in management's model is appropriate;
- evaluating the forecast production profile, operating and capital expenditure and other key assumptions used in the going concern assessment for consistency with the business plans and information obtained through auditing other areas of the business. We also determined whether management's forecasts reflected the expected cash cost to Serica of executing plans aimed towards delivering the group's ESG and climate change commitments;

- challenging the key assumptions included in the forecasts, with the most sensitive assumption being management's view on forecast oil and gas prices during the going concern period. We compared management's price assumptions with the most recently available price forecasts issued by a range of banks, brokers and consultants, which we obtained independently;
- assessing management's ability to forecast accurately based on their historical performance and, where management have experienced differences between forecasts and actuals (whether due to oil and gas prices or other factors), this has informed our view of the adequacy of the stress testing performed by management in their assessment;
- obtaining bank confirmations of the Group's cash and cash equivalent balances as at 31 December 2023 and received bank statements to confirm the balances as at 22 April 2024;
- obtaining the RBL debt facility agreement, reading and confirming the terms of the facility, including the maturity date, redetermination mechanism and covenant calculations. We also confirmed the total amount available under the facility and the amount utilised as at the start of the going concern assessment period;
- independently conducting a reverse stress test to determine the conditions under which the group could potentially breach the financial covenants or potentially experience a liquidity shortfall during the going concern period;
- considering the likelihood of management's ability to execute mitigating actions, as required, to continue its business activities in the downside scenario; and
- reviewing the appropriateness of management's going concern disclosures in describing the risks associated with its ability to continue as a going concern for the period to 30 June 2025 and to ensure such disclosures are in accordance with relevant standards.

Our Key Observations:

In management's downside scenario, which has conservative price assumptions and where the group's Triton hub and BKR hub are shut-in consecutively for six months each, sufficient liquidity headroom remains and the group operates within the requirements of its covenants. In addition, we have concluded that our independently modelled reverse stress scenario, under which the covenants are breached, has a remote likelihood of occurrence.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 30 June 2025.

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

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of five components. • The components where we performed full audit procedures accounted for 100% of the profit before tax measure used to calculate materiality, 100% of revenue and 100% of total assets.
Key audit matters	<ul style="list-style-type: none"> • Acquisition of Tailwind, specifically the judgements around purchase price allocation • Assessment of commercial oil and gas reserves and their impact on the financial statements.
Materiality	<ul style="list-style-type: none"> • Overall group materiality of £12 million which represents 5% of profit before tax adjusted to exclude non-recurring transaction costs, gain on acquisition and exploration and evaluation asset write-offs ("adjusted profit before tax").

INDEPENDENT AUDITOR'S REPORT to the members of Serica Energy plc continued

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

Tailoring the scope

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

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 17 reporting components of the Group, we selected 5 components covering entities within the UK, which represent the principal business units within the Group.

For the 5 components selected, we performed an audit of the complete financial information of these components ("full scope components") which were selected based on their size or risk characteristics.

The reporting components where we performed audit procedures accounted for 100% (2022: 99%) of the Group's adjusted profit before tax used to calculate materiality, 100% (2022: 100%) of the Group's revenue and 100% (2022: 100%) of the Group's total assets.

The remaining 12 components together represent less than 1% of the Group's adjusted profit before tax used to calculate materiality. For these components, we performed other procedures, including analytical review, testing of consolidation journals, intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the group financial statements.

Changes from the prior year

The current year audit work has covered five full scope components compared with the two full scope components in the 2022 audit. The change in scope is a result of the acquisition of Tailwind Energy Investments Ltd and its subsidiaries in 2023.

Involvement with component teams

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

Climate change

Stakeholders are increasingly interested in how climate change will impact Serica Energy plc. The Group has determined that the most significant future impacts from climate change on their operations will be from decarbonisation and the investment required to reduce carbon emissions and to improve energy efficiency. These are explained on pages 30 to 35 in the Task Force On Climate Related Financial Disclosures and on pages 28 to 30 in the principal risks and uncertainties. They have also explained their climate commitments on pages 34 to 35. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the Basis of Preparation in note 2 how they have reflected the impact of climate change in their financial statements. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining financial statement impacts under the requirements of UK adopted international accounting standards.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 30 to 35 and whether these have been appropriately reflected in asset values where these are impacted by future cash flows and associated sensitivity disclosures and in the timing and nature of liabilities recognised, following the requirements of UK adopted international accounting standards. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Acquisition of Tailwind, specifically the judgements around the purchase price allocation (PPA)</p> <p>Refer to the Accounting policies section "Use of judgement and estimates and sources of estimation uncertainty" (pages 80 to 82)</p> <p>As described in note 29 to the consolidated financial statements, on 23 March 2023, the company acquired Tailwind Energy Investments Ltd and its subsidiaries through issuance of shares and cash consideration for a total consideration of £303.7 million. Net assets acquired were valued at £337.8 million with a bargain gain of £34.1 million being recognised.</p> <p>The recognition of Tailwind's assets and liabilities at fair value require significant judgement in applying forecasts and assumptions. These include the estimation of future oil and gas prices, a future production profile and an appropriate discount rate.</p>	<p>We engaged specialists to assist with the audit of the PPA. Our team included valuation and business modelling specialists who have significant experience in the valuation of oil and gas assets and liabilities.</p> <p>Our procedures focused primarily on the risks relating to the valuation model, assumptions and judgements associated with the estimation of the fair value measurements. These included:</p> <ul style="list-style-type: none"> • gaining an understanding through enquiry and review of the valuation methodology adopted by Serica, and comparing the approach with accepted industry practice; • assessing the appropriateness of key assumptions, including oil and gas prices and discount rates, by comparing them with external benchmarks; • confirming consistency of assumptions with other areas of the financial statements; • checking the integrity of the valuation model; and • recalculating the consideration and bargain gain. <p>We reviewed management's proposed IFRS 3 disclosures and assessed their appropriateness in disclosing the key judgements applied in measuring the fair value of acquired assets and liabilities.</p> <p>The above audit procedures were performed by the group audit team in respect of covering 100% of this risk amount.</p>	<p>The Business Combination constituted a 100% acquisition of Tailwind Energy Investments Ltd and its subsidiaries and has therefore been correctly accounted for in accordance with IFRS 3. As a result, Tailwind is fully consolidated in the financial statements with effect from 23 March 2023, and all results prior to this date represent those of legacy Serica only.</p> <p>We reported to the Audit Committee that following agreement with management on the fair value methodology to be applied, we consider the key assumptions applied by management in the final purchase price accounting to be reasonable.</p> <p>The disclosure of the transaction in the financial statements is in line with IFRS.</p>

INDEPENDENT AUDITOR'S REPORT to the members of Serica Energy plc continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Assessment of commercial oil and gas reserves and its impact on the group financial statements</p> <p>Refer to the Accounting policies section "Use of judgement and estimates and sources of estimation uncertainty" (page 81)</p> <p>The estimate of oil and gas reserves has a significant impact on the financial statements, particularly impairment assessments, the estimation of depreciation, depletion and amortisation ("DD&A") charges and the determination of fair values used in the purchase price allocation in relation to the acquisition of Tailwind.</p> <p>As described in note 15 to the group financial statements, oil and gas properties amounted to £711.5 million and have an associated DD&A charge of £109.2 million.</p> <p>The estimation of oil and natural gas reserves is complex as there is significant estimation uncertainty in assessing the quantities of reserves in place. If reserves are recognised that are not ultimately produced, DD&A will be understated, and the recoverable amount of assets may be overstated.</p> <p>Reserves are also a fundamental indicator of the future potential of the group's performance. Estimation uncertainty is further elevated given the transition to a low-carbon economy which could impact life-of-field assumptions and increase the risk of underutilised or stranded oil and gas assets. Also, given the estimation of oil and gas reserves is complex, there is a risk that inappropriate management bias influences the estimate.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> confirming our understanding of the group's controls over their certification process for technical and commercial specialists who are responsible for reserves estimation by performing a walk through and assessing the design effectiveness of controls; assessing the competence and objectivity of these specialists, to satisfy ourselves they were appropriately qualified to carry out the volumes estimation; obtaining confirmation directly from management's third-party specialists that they are independent from Serica and have performed their procedures in line with the guidelines set out by the Society of Petroleum Engineers; confirming that any material changes in reserves were made in the appropriate accounting period; assessing, where relevant, whether life of field and cessation of production assumptions incorporated Serica's estimate of costs associated with the potential impact of climate change and the energy transition; validating that the reserves estimates were included appropriately as key inputs within the group's financial statements, including the determination of the recoverable amount of assets and accounting for DD&A. <p>The above audit procedures were performed by the group audit team in respect of three full scope components, covering 100% of this risk amount.</p>	<p>We did not identify any exceptions as a result of our audit procedures.</p> <p>We confirmed that material changes in reserves volumes have been made in the appropriate accounting period and validated that the updated reserves estimates are included appropriately in the group's forecasts for impairment assessments and the calculation of DD&A. We consider the disclosures in the financial statements to be appropriate.</p>

In the prior year, our auditor's report included a key audit matter in relation to the impairment of property, plan and equipment related to Columbus. This was not relevant in the current year as management's assessment identified no impairment trigger, which was challenged by us and considered reasonable, and accordingly no impairment test was required. In addition, in the current year, we have included a new key audit matter relating to the acquisition of Tailwind, acquired in March 2023.

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £12 million (2022: £11.7 million), which is 5% (2022: 5%) of profit before tax, adjusted for the impact of non-recurring items. We believe that adjusted profit before tax provides us with appropriate basis for planning materiality for the current year audit.

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

Consistent with our approach in the prior period, the financial measure on which we have determined materiality is adjusted profit before tax, with only change being we have not normalised earnings considering the oil and gas prices were relatively stable in the current period. We believe that adjusted profit before tax is the most appropriate measure upon which to calculate materiality as it represents a key performance indicator used by Serica's investors and is the expectation for a listed company that is generating profits.

In our calculation of planning materiality, we excluded from profit before tax the impact of the significant non-recurring items being the gain on acquisition of Tailwind, the transaction costs incurred in relation to the acquisition and write down of exploration & evaluation assets. These amounts represented net income statement gains of £15.2 million that have therefore been excluded from adjusted profit before tax.

We determined materiality for the parent company to be £9.5 million (2022: £5.4 million), which is 2% (2022: 2%) of equity. We use equity as the basis for materiality as the purpose of the parent company is to hold investments in its subsidiaries. The annual profits generated by the company in future periods, will be dependent on the level and timing of any intra-group dividends paid by the Group's operating companies.

During the course of our audit, we reassessed initial materiality. We did not find it necessary to revise our level of overall materiality.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £9 million (2022: £8.8 million). We have set performance materiality at this percentage due to quantitative and qualitative assessment of prior year misstatement and our assessment of the Group's overall control environment.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £3.2 million to £7.8 million (2022: £5.7 million to £7.4 million).

INDEPENDENT AUDITOR'S REPORT to the members of Serica Energy plc continued

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences more than £0.6 million (2022: £0.59 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 2 to 65, 118 and 125 to 126, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statements set out on pages 65 and 118, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are UK adopted International Accounting Standards, the Companies Act 2006, AIM listing rules and UK tax legislation.
- We understood how Serica is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies, and noted there was no contradictory evidence.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand what areas were susceptible to fraud. We also considered performance targets and their propensity to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved incorporating data analytics across our audit approach, journal entry testing with a focus on manual consolidation journals and journals meeting our defined risk criteria based on our understanding of the business; enquiries of management, review of Board and Audit Committee reporting; and focused testing as referred to in the key audit matters section above.

We ensured our audit team has appropriate industry experience through working for many years on relevant audits, including experience of oil and gas companies. Our audit planning included considering external market factors, for example geopolitical risk, the potential impact of climate change, commodity price risk and major trends in the industry.

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

Use of our report

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

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

London

23 April 2024

GROUP INCOME STATEMENT for the year ended 31 December 2023

	Note	2023 £000	2022 £000
Continuing operations			
Sales revenue	4	632,638	812,423
Cost of sales	5	(326,064)	(218,155)
Gross profit		306,574	594,268
Hedging income/(expense)	6	4,762	(24,507)
Contract revenue - other	16	23,904	-
Exploration and pre-licence costs		(2,103)	(185)
E&E asset write-offs	12	(8,741)	(82,749)
Administrative expenses		(19,637)	(9,225)
Transaction costs	29	(10,085)	(1,785)
Foreign exchange (loss)/gain		(3,591)	3,903
Share-based payments	25	(3,975)	(3,510)
Gain on acquisition	29	34,048	-
Operating profit before net finance revenue and tax		321,156	476,210
Change in fair value of financial liabilities	19	(7,584)	8,407
Finance revenue	8	13,532	4,499
Finance costs	8	(21,481)	(938)
Profit before taxation		305,623	488,178
Taxation charge for the year	9	(202,639)	(310,382)
Profit for the year		102,984	177,796
Profit for the year attributable to:			
Equity owners of the Company		102,984	177,796
Earnings per ordinary share - EPS			
Basic EPS on profit for the year (£)	10	0.29	0.65
Diluted EPS on profit for the year (£)	10	0.27	0.62

GROUP STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2023

	2023 £000	2022 £000
Profit for the year	102,984	177,796
Other comprehensive loss		
Items that may be subsequently reclassified to income statement:		
Exchange differences on translation	(11,729)	–
Other comprehensive loss for the year	(11,729)	–
Total comprehensive profit for the year	91,255	177,796
Total comprehensive profit attributable to: Equity owners of the Company	91,255	177,796

BALANCE SHEET as at 31 December 2023

	Note	2023 £000	2022 £000
Non-current assets			
Exploration & evaluation assets	12	1,930	1,001
Property, plant and equipment	13	711,499	265,907
Deferred tax asset	9	84,107	–
		797,536	266,908
Current assets			
Inventories	14	10,888	3,998
Trade and other receivables	15	138,610	134,627
Hedging security advances	16	–	24,320
Decommissioning security advances	17	27,537	–
Cash and cash equivalents	17	263,492	432,529
		440,527	595,474
TOTAL ASSETS		1,238,063	862,382
Current liabilities			
Trade and other payables	18	97,415	69,887
Corporate tax payable		53,660	149,998
Derivative financial liabilities	16	4,371	24,914
Contract liabilities	16	28,829	987
Financial liabilities	19	3,635	–
Provisions	20	12,935	–
Non-current liabilities			
Financial liabilities	19	65,003	29,378
Provisions	20	103,918	25,199
Deferred tax liability	9	–	153,295
Interest bearing loans	21	213,035	–
TOTAL LIABILITIES		582,801	453,658
NET ASSETS		655,262	408,724
Equity			
Share capital	23	192,921	183,177
Merger reserve	23	230,350	–
Other reserve	25	29,551	25,576
Accumulated funds		214,169	199,971
Currency translation reserve		(11,729)	–
TOTAL EQUITY		655,262	408,724

Approved by the Board on 23 April 2024

Mitch Flegg

Chief Executive Officer

Martin Copeland

Chief Financial Officer

GROUP STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2023

	Share capital £000	Merger reserve £000	Other reserve £000	Currency translation reserve £000	Accumulated funds £000	Total £000
At 1 January 2022	181,993	–	22,066	–	68,469	272,528
Profit for the year	–	–	–	–	177,796	177,796
Total comprehensive income	–	–	–	–	177,796	177,796
Issue of shares	1,184	–	–	–	–	1,184
Share-based payments	–	–	3,510	–	–	3,510
Dividend paid	–	–	–	–	(46,294)	(46,294)
At 31 December 2022	183,177	–	25,576	–	199,971	408,724
Profit for the year	–	–	–	–	102,984	102,984
Other comprehensive income	–	–	–	(11,729)	–	(11,729)
Total comprehensive income	–	–	–	(11,729)	102,984	91,255
Issue of shares	9,744	230,350	–	–	–	240,094
Share-based payments	–	–	3,975	–	–	3,975
Dividend paid	–	–	–	–	(88,786)	(88,786)
At 31 December 2023	192,921	230,350	29,551	(11,729)	214,169	655,262

GROUP CASH FLOW STATEMENT for the year ended 31 December 2023

	Note	2023 £000	2022 £000
Cash inflow from operations	24	378,369	704,858
Taxation paid		(279,463)	(143,500)
Decommissioning spend		(896)	(1,218)
Net cash inflow from operating activities	24	98,010	560,140
Investing activities:			
Interest received		13,532	4,499
Purchase of E&E assets		(9,673)	(80,801)
Purchase of property, plant and equipment		(68,588)	(16,298)
Cash outflow from BKR business combination	19	–	(93,871)
Acquisition of subsidiary, net of cash acquired	29	(44,036)	–
Net cash flow from investing activities		(108,765)	(186,471)
Financing activities:			
Payments of lease liabilities	26	(628)	(132)
Proceeds from issue of shares	23	801	1,184
Repayment of borrowings	21	(81,406)	–
Proceeds from borrowings	21	34,478	–
Dividends paid	11	(88,786)	(46,294)
Finance costs paid		(18,832)	(385)
Net cash flow from financing activities		(154,373)	(45,627)
Net (decrease)/increase in cash and cash equivalents		(165,128)	328,042
Effect of exchange rates on cash and cash equivalents		(3,909)	1,503
Cash and cash equivalents at 1 January	24	432,529	102,984
Cash and cash equivalents at 31 December	24	263,492	432,529

NOTES TO THE FINANCIAL STATEMENTS

1. Authorisation of the Financial Statements and Statement of Compliance with UK Adopted International Accounting Standards

The Group's financial statements for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 23 April 2024 and the balance sheet was signed on the Board's behalf by Mitch Flegg and Martin Copeland. 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 its subsidiaries (together the "Group") is to identify, acquire and subsequently exploit oil and gas reserves. A listing of the Group's companies is contained in note 30 to these Group financial statements. 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 as they apply to the financial statements of the Group for the year ended 31 December 2023. The principal accounting policies adopted by the Group are set out in note 2.

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 2023.

The Group financial statements have been prepared on a historical cost basis and 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 2025 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. The Group has additional planned expenditure related to flare gas recovery and other emission reduction measures, however, as all of the Group's currently producing assets are projected to cease production by 2036, it is believed that any such future changes would have a relatively 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 period ending 30 June 2025, the 'going concern period'.

As at 22 April 2024 the Group held cash and term deposits of £264.7 million including £18.3 million of restricted funds. Following the re-financing completion in January 2024, separate RBL liquidity headroom of US\$232 million existed at 31 March 2024 (US\$231 million drawn versus US\$463 million available). See note 21 for further details of the current RBL facility.

The acquisition of Tailwind in 2023 gives the Group increased production and operating cash flows, a balance in product mix between gas and oil, and two main operating hubs which reduces the potential impact of production interruptions.

The Group regularly monitors its cash, funding and liquidity position, including available facilities and compliance with facility covenants. 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. In recent years, 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 two cash projections for the going concern period. These projections cover a base case forecast and an extreme stress test scenario for the operations of the Group. RBL repayments have been assumed based on the current redetermination and no covenant compliance matters noted.

The base case assumptions for the going concern period included commodity pricing of 70 pence/therm for gas and US\$80/bbl for oil for the remainder of 2024 and 75 pence/therm gas and US\$75/bbl oil for 1H 2025. Production, opex, capex and tax assumptions are those currently included in standard management forecasting. The forward looking price assumptions are considered as reasonable in light of recent commodity forward pricing and a consensus of published forecasts from the industry, brokers and other analysts.

2. Accounting Policies continued

The stress test assumptions assume a full six-month shut-in of Triton hub production for 2H 2024 and a full six-month shut-in of BKR hub production for 1H 2025. Production remains at base case levels to the end of the going concern period outside of these separate production hub shut-ins. Base case commodity pricing is retained for 2024 but lower commodity pricing of 50 pence/therm gas and US\$60/bbl oil are assumed for the 1H 2025 period in this scenario which are significantly below the range of current market expectations for the going concern period. Under this scenario, which would result in lower cash inflows and any repayments of the RBL facility as redetermined, the Group was able to maintain sufficient cash to meet its obligations and maintain covenant compliance. A number of mitigating factors and mitigating actions that are under management control are available to management in the stress test event. These would mitigate the reduced operating cash outflows experienced and are not included in the projection.

After making enquiries and having taken into consideration the above factors, the Directors considered it appropriate 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 sources of estimation uncertainty

The preparation of financial statements in conformity with UK-adopted International Accounting Standards requires management to make judgements and estimates 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. The Group has identified the following areas where significant judgement, estimates and assumptions are required, which following the acquisition of Tailwind Energy Investments Ltd in the year now include the acquisition of assets via a business combination and the recognition of deferred tax assets.

Uses of judgement

Key sources of judgement that may have a significant risk of causing material adjustment to the amounts recognised in the financial statements are as follows: assessing whether impairment triggers exist that might lead to the impairment of the Group assets (including oil and gas producing & development assets and Exploration and Evaluation "E&E" assets); assessing factors involved in the fair value assessments required upon a business combination; and taxation including recognition of deferred tax assets.

Details on these sources of judgements are given below.

Assessment of the impairment indicators 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.

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 2023 in accordance with the stated policy and no impairment triggers were noted.

Acquisition through business combination

The Group made a significant acquisition in the year – see note 29 for further details of the final purchase price allocation, including the assets and liabilities acquired, the gain on purchase arising on acquisition and details of the consideration paid. The acquisition was accounted for as a business combination under IFRS 3. The assets and liabilities identified in the purchase price allocation include oil & gas assets, decommissioning liabilities, deferred tax assets and liabilities, contract liabilities, derivatives and working capital.

In determining the fair value on acquisition of a pre-existing oil revenue contract a judgement was made to value the contract at the differential between the contract pricing and market price and to unwind the liability through 'contract revenue – other' in the income statement upon satisfaction of the performance obligations of the contract.

Taxation including the recognition of deferred tax assets

The Group's operations are subject to a number of specific tax rules which apply to exploration, development and production companies such as the Energy Profits Levy, ring-fenced Corporation Tax at 30%, the Supplementary Charge of 10% and the application of investment allowances. As a result of these factors, the tax provision process necessarily involves the use of a number of judgements around expenditure deductible under different ring-fenced tax rules. Further recognition of deferred tax assets on the acquisition date of Tailwind involves judgement that it is appropriate to anticipate tax losses to be available in relation to planned restructuring.

2. Accounting Policies continued

Sources of estimation uncertainty

Key sources of estimation uncertainty

The key sources of estimation uncertainty that may have a significant risk of causing material adjustment to the amounts recognised in the financial statements are: the assessment of commercial reserves and production profiles; and decommissioning provisions.

Details on these key sources of estimation uncertainty are given below.

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 depletion charge for the period, decommissioning provisions, whether deferred tax assets are recoverable and assessing whether any impairment charge is required. Estimates of oil and gas reserves require critical judgement. The Group uses proven and probable ("2P") reserves (see page 18) as the basis for calculations of depletion and expected future cash flows from underlying assets because this represents the reserves management intends to develop. 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 2023 of £12.3 million (2022: £8.5 million).

Decommissioning provisions

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 estimates and assumptions, actual results could differ from these estimates. Expected timing of expenditure can also change, for example in response to changes in laws and regulations or their interpretation, and/or due to changes in commodity prices. The payment dates are uncertain and depend on the production lives of the respective fields. For further details including sensitivities of the calculation to changes in input variables (see note 20).

Non-key sources of estimation uncertainty

Non-key sources of estimation uncertainty include determining the fair value of contingent consideration, royalty liabilities, recoverability of deferred tax and fair value of assets and liabilities acquired through the Tailwind acquisition.

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. Any cash flows specific to the contingent consideration also reflect applicable commercial terms and risks. In calculating the fair value of the remaining contingent consideration on the BKR acquisitions payable as at 31 December 2023, assumptions underlying the calculation were updated from 2022. 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 19).

Royalty liabilities

The Group determined the fair value of a royalty liability assumed upon the Tailwind acquisition in 2023 at the time of the acquisition and subsequently as at 31 December 2023. In calculating the fair value of the royalty payable, assumptions included commodity prices, future production and discount rates. For further details including sensitivities of the calculation to changes in input variables (see note 19).

Recoverability of deferred tax assets

Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable profits in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws – see use of judgements: Taxation. There is no critical estimation uncertainty at the end of the reporting period.

2. Accounting Policies continued

Fair value of assets and liabilities acquired through the Tailwind acquisition

Estimates are required to be made regarding the calculation of the fair value of the oil and gas assets acquired, including estimating the future cash flows expected to arise from the CGUs in the acquired business using discounted cash flow models. Key assumptions include: commodity prices, discount rates and oil and gas reserves estimates. In addition, the Group has considered the value that a market participant would prescribe to prospective resources in determining the fair value of the oil & gas assets acquired. In determining the value of the deferred tax asset recognised on acquisition, the Group has also made assumptions in respect of the amount of tax losses brought forward which will be available to offset against future taxable profits of the Group. There is no critical estimation uncertainty related to this estimate at the end of the reporting period.

Basis of Consolidation

The consolidated financial statements include the accounts of Serica Energy plc (the "Company") and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Together these comprise the "Group".

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of the subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of each transaction);
- The exchange differences arising on translation for consolidation are recognised in other comprehensive income; and
- Any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the acquired entity and are translated at the spot rate of exchange at the reporting date.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All inter-company balances and transactions have been eliminated upon consolidation.

Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Group's financial statements are presented in £ sterling, the currency which the Group has elected to use as its presentational currency.

In the financial statements of Serica Energy plc and its individual subsidiaries, 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.

2. Accounting Policies continued

Business Combinations

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.

Goodwill/gain on acquisition

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

Oil and gas operations are usually conducted by the Group as co-licensees in unincorporated joint operations with other companies. Most of the Group's activities are conducted through joint operations, 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 recognises its share of assets, liabilities, income and expenses of the joint operation in the consolidated financial statements on a line-by-line basis.

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

Exploration and Evaluation Assets

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

Pre-licence Award Costs

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

Exploration and Evaluation (E&E)

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

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 risk 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.

2. Accounting Policies continued

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 annual reporting date. Proved and probable reserves estimates obtained from an independent reserves specialist have been used as the basis for 2022 and 2023 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 carrying amount 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.

2. Accounting Policies continued

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. If a change in the decommissioning liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss. 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.

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.

Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs (in the case of a financial asset not at fair value through profit or loss). Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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

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

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

Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS continued

2. Accounting Policies continued

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 loans and borrowings, trade and other payables, BKR consideration liabilities, royalty liabilities, deferred shares in relation to the Tailwind acquisition and derivative liabilities. 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.

Emissions liabilities

The Group operates in an energy intensive industry and is therefore required to partake in emission trading schemes ("ETS"). The Group recognises an emission liability in line with the production of emissions that give rise to the obligation. To the extent the liability is covered by allowances held, the liability is recognised at the cost of these allowances held and if insufficient allowances are held, the remaining uncovered portion is measured at the spot market price of allowances at the balance sheet date. The expense is presented within 'production costs' under 'cost of sales' and the accrual is presented in 'trade and other payables'.

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 16.

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.

2. Accounting Policies continued

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 Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant. The normal credit term is 15 to 30 days upon collection or delivery.

Finance Revenue

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

Finance Costs

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

Share-Based Payment Transactions

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

Equity-settled transactions

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

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

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

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

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.

2. Accounting Policies continued

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 new standards, amended standards or interpretations, which are effective for annual periods beginning on or after 1 January 2023. These include the following:

- Insurance contracts (IFRS 17)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred tax related to Assets and Liabilities arising from a Single Transaction (amendments to IAS 12)
- International Tax reform – Pillar Two Model Rules (Amendments to IAS 12)

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 above, the accounting policies adopted are consistent with those of the previous financial year.

There are no new or amended standards or interpretations adopted from 1 January 2023 onwards, that have a significant impact on the consolidated financial statements of the Group.

2. Accounting Policies continued

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. These include the following:

- IFRS 10 and IAS 28 (amendments) - Sale or Contribution of Assets between an investor and its Associate or Joint Venture
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 – Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

The Group intends to adopt them when they become effective but these new or amended standards not yet adopted are not expected to have a material impact on the financial statements.

3. Segment Information

For the purposes of segmental reporting, the Group currently operates a single class of business being oil and gas exploration, development and production and related activities in a single geographical area, being presently the UK North Sea.

4. Sales Revenue

	2023 £000	2022 £000
Gas sales	345,704	652,680
Gas supply contract revenue	987	37,505
Total gas sales	346,691	690,185
Oil sales	265,497	88,048
NGL sales	20,450	34,190
Total revenue	632,638	812,423

Gas sales revenue in 2023 arose from three key customers (2022: one). Gas supply contract revenue in 2022 arose from the unwind of gas contract liabilities initially recognised upon the restructuring of certain gas swaps to other fixed price instruments under a gas sales contract in August 2021. Further information is provided note 16.

Oil sales revenue in 2023 was from three key customers (2022: one), and NGL sales in 2023 were made to six customers (2022: six).

The revenue from three customers individually constitutes more than 10% of total revenue amounting to £608.2 million.

5. Cost of Sales

	2023 £000	2022 £000
Operating costs	218,688	120,998
Lifting costs	7,066	–
Change in decommissioning estimates expensed (note 20)	368	–
Depletion (note 13)	109,198	76,887
Movement in liquids overlift/underlift	(9,256)	20,270
	326,064	218,155

NOTES TO THE FINANCIAL STATEMENTS continued

6. Operating Profit

	2023 £000	2022 £000
Net hedging income/(expense)		
Unrealised hedging gains (see note 16)	20,397	20,877
Realised hedging losses (see note 16)	(15,635)	(45,384)
	4,762	(24,507)

Depreciation and depletion expense

Depreciation of right of use assets totalled £795,000 (2022: £172,000) of which £622,000 (2022: £nil) was allocated to cost of sales and £173,000 (2022: £172,000) allocated to administrative expenses.

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

Auditor's Remuneration

	2023 £000	2022 £000
Audit of the Group accounts	724	338
Audit of the Company's accounts	32	30
Audit of accounts of Company's subsidiaries	129	36
Total audit fees	885	404

No fees were paid to Ernst & Young LLP and its associates for non-audit services in 2022 or 2023.

7. Staff Costs and Directors' Emoluments

a) Staff Costs - Group	2023 £000	2022 £000
Wages and salaries	25,901	21,755
Social security costs	6,488	3,727
Other pension costs	2,669	2,199
Share-based long-term incentives	3,975	3,510
	39,033	31,191

The average number of persons employed by the Group during the year was 202 (2022: 175), with 11 in management functions (2022: 9), 172 in technical functions (2022: 155) and 19 (2022: 11) in finance and administrative functions.

Staff costs for key management personnel:

Short-term employee benefits	2,701	2,616
Post-employment benefits	122	111
Share-based payments (note 25)	2,341	2,036
	5,164	4,763

7. Staff Costs and Directors' Emoluments continued

b) Directors' Emoluments

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

	2023 Salary and fees £000	2023 Bonus £000	2023 Pension £000	2023 Benefits in kind £000	2023 Total £000	2022 Total £000
A Craven Walker ²	245	–	–	–	245	490
M Flegg ¹	575	371	76	1	1,023	1,015
A Bell ¹	345	247	46	1	639	618
D Latin	163	–	–	–	163	57
I Vann ³	–	–	–	–	–	20
T Garlick ⁴	35	–	–	–	35	60
M Webb	68	–	–	–	68	60
K Coppinger	68	–	–	–	68	60
R Rose ⁵	–	–	–	–	–	24
J Schmitt ⁶	65	–	–	–	65	25
M Soeting ⁷	61	–	–	–	61	–
R Lawson ⁸	46	–	–	–	46	–
G Vermersch ⁹	46	–	–	–	46	–
K Van Hecke ¹⁰	32	–	–	–	32	–
S Lloyd Rees ¹¹	28	–	–	–	28	–
	1,777	618	122	2	2,519	2,429

1 Cash in lieu of pension.

2 Antony Craven Walker retired on 30 June 2023

3 Ian Vann retired on 30 April 2022

4 Trevor Garlick retired on 17 July 2023

5 Richard Rose resigned on 21 June 2022

6 Jérôme Schmitt was appointed on 1 July 2022

7 Michiel Soeting was appointed on 1 February 2023

8 Robert Lawson was appointed on 23 March 2023

9 Guillaume Vermersch was appointed on 23 March 2023

10 Kaat Van Hecke was appointed on 17 July 2023

11 Sian Lloyd Rees was appointed on 17 July 2023

	2023	2022
Number of Directors securing benefits under defined contribution schemes during the year	2	2
Number of Directors who exercised share options	3	–
	£000	£000
Aggregate gains made by Directors on the exercise of options	1,544	–

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

NOTES TO THE FINANCIAL STATEMENTS continued

8. Finance Revenue/Costs

	2023 £000	2022 £000
Bank interest receivable	13,532	4,499
Total finance revenue	13,532	4,499

	2023 £000	2022 £000
Loan interest payable	13,757	–
Loan commitment fees	4,302	–
Other charges and interest payable	509	385
Unwinding of discount on provisions (note 20)	2,913	553
Total finance costs	21,481	938

9. Taxation

	2023 £000	2022 £000
a) Tax charged/(credited) in the income statement		
Charge for the year	181,442	276,674
Adjustment in respect of prior years	1,889	1,021
Total current income tax charge	183,331	277,695
Deferred tax		
Origination and reversal of temporary differences in the current year	19,308	32,687
Adjustment in respect of prior years	–	–
Total deferred tax charge	19,308	32,687
Tax charge in the income statement	202,639	310,382

9. Taxation continued**b) Reconciliation of the total tax charge/(credit)**

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

	2023 £000	2022 £000
Accounting profit before taxation	305,623	488,178
Statutory rate of corporation tax in the UK of 40% (2022: 40%)	122,249	195,271
Permanent differences	3,175	(7,243)
Movement in unrecognised deferred tax assets	2,634	(500)
Investment Allowance	(4,316)	(1,927)
EPL – Rate differential	(9,455)	59,045
EPL – Income taxed at different rates	102,417	82,473
EPL – Investment allowance	(5,321)	(18,136)
Income tax at different rates	2,986	378
Adjustment in respect of prior years	1,889	1,021
Non-taxable gain on acquisition	(13,619)	–
Tax charge reported in the income statement	202,639	310,382

c) Recognised and unrecognised tax losses

The Group's Balance Sheet has a deferred tax asset amount of £438.1 million as at the 31 December 2023 (2022: £12.9 million) arising from ring-fence losses, decommissioning liabilities and other temporary differences. These deferred tax assets are expected to be recovered through utilisation against deferred tax liabilities, primarily related to temporary differences on fixed assets (£354.0 million) and through future taxable profits. The increase in net assets to £84.1 million as at 31 December 2023 (2022: £153.3 million net deferred tax liability) in the year is primarily due to the Tailwind acquisition (note 29).

The Group's deferred tax assets at 31 December 2023 are recognised to the extent that taxable profits are expected to arise in the future against which tax losses and allowances in the UK can be utilised. In accordance with IAS 12 Income Taxes, the Group assessed the recoverability of its deferred tax assets at 31 December 2023 with respect to ring fence losses and allowances.

The Group has recognised deferred tax assets in full on its UK ring-fence losses but has unrecognised UK mainstream corporation tax losses and temporary differences of £118.7 million (2022: £60.2 million) for which no deferred tax asset has been recognised at the Balance Sheet date. These tax losses and temporary differences are unrecognised because they streamed within entities for which no profits are expected. The increase in balance in the year is primarily due to the Tailwind acquisition.

Unrecognised deferred tax assets	2023 £000	2022 £000
Tax losses	99,339	25,427
Other temporary differences	19,349	34,776
Total	118,688	60,203

NOTES TO THE FINANCIAL STATEMENTS continued

9. Taxation continued

d) Deferred tax

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

	2023 £000	2022 £000
Deferred tax liability:		
Temporary differences on capital expenditure	(353,994)	(166,219)
Deferred tax liability	(353,994)	(166,219)
Deferred tax asset:		
Tax losses	331,277	–
Decommissioning liability	46,611	10,080
Investment allowances	33,056	–
Contract liability	21,622	–
Other temporary differences	5,535	2,844
Deferred tax asset	438,101	12,924
Net deferred tax asset/(liability)	84,107	(153,295)

Reconciliation of net deferred tax assets/(liabilities)

	2023 £000	2022 £000
At 1 January	(153,295)	(120,608)
Acquisitions (note 29)	264,914	–
Tax charge during the year recognised in profit	(19,308)	(32,687)
Currency translation adjustment	(8,204)	–
At 31 December	84,107	(153,295)

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

	2023 £000	2022 £000
Deferred tax in the income statement:		
Temporary differences on capital expenditure	(18,493)	34,373
Tax losses	26,493	–
Other temporary differences	11,308	(1,686)
Deferred income tax charge	19,308	32,687

e) Unrecognised deferred tax liability

In 2023 and 2022 there are no material temporary differences associated with investments in the Group's subsidiaries for which a deferred tax liability has not been recognised.

9. Taxation continued

f) Changes to UK corporation tax legislation

Changes to UK corporation tax legislation

The main rate of UK corporation tax for non-ring fence profits increased from 19 per cent to 25 per cent from 1 April 2023. This change has not had a material impact on the Group as the UK profits are primarily subject to the UK ring fence tax rate. The Group does not currently recognise any deferred tax assets in respect of UK non-ring fence tax losses and therefore this rate change did not impact the disclosed results.

The Energy Profits Levy ("EPL") on the profits earned from the production of oil and gas in the UK was introduced in the previous period. From 1 January 2023, the EPL is charged at the rate of 35 per cent on taxable profits in addition to ring fence corporation tax of 30 per cent and the Supplementary Charge of 10 per cent. The EPL is a temporary measure which at 31 December 2023 was to cease to apply on 31 March 2028. In the 2023 financial statements, any temporary differences subject to the EPL expected to reverse in the period to 31 March 2028 have been measured to the higher rate. Following the 2024 Spring budget it was announced that it will cease to apply on 31 March 2029, the impact on the current year financial statements would be an increase in the deferred tax charge and deferred tax for EPL by £20.2 million.

In the Autumn Statement on 22 November 2023, the UK government confirmed it will bring in legislation for the Energy Security Investment Mechanism ("ESIM") which would end the imposition of EPL earlier than 31 March 2028 (now 2029) where certain conditions are met. Under the proposed ESIM, which will be formally implemented upon royal assent of the Spring Budget 2024 finance bill, if both average oil and gas prices fall to, or below, US\$71.40 per barrel for oil and 54p per therm for gas, for two consecutive quarters, then the EPL will be repealed and the headline tax rate on UK oil and gas profits will return to 40 per cent. The change as currently proposed is not expected to have a material impact for the Group.

The UK has introduced legislation implementing the Organisation for Economic Co-operation and Development's ("OECD") proposals for global minimum corporation tax rate (Pillar Two) which is effective for periods beginning on or after 31 December 2023. The only jurisdiction in which the Group operates is the UK and the Group does not expect an exposure to Pillar Two income taxes.

10. Earnings Per Share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of dilutive potential ordinary shares granted under share-based payment plans (see note 25) and deferred consideration for the Tailwind acquisition (see note 29) into ordinary shares.

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

	2023 £000	2022 £000
Net profit from continuing operations	102,984	177,796
Net profit attributable to equity holders of the parent	102,984	177,796
	2023 £000	2022 £000
Basic weighted average number of shares	360,643	271,678
Dilutive potential of ordinary shares granted under share-based payment plans	12,054	16,757
Dilutive potential of ordinary shares under deferred consideration for acquisition	1,849	–
Diluted weighted average number of shares	374,546	288,435
	2023 £	2022 £
Basic EPS on profit for the year (£)	0.29	0.65
Diluted EPS on profit for the year (£)	0.27	0.62

NOTES TO THE FINANCIAL STATEMENTS continued

11. Dividends Proposed

Proposed dividends on ordinary shares

A final cash dividend for 2023 of 14.0 pence per share (2022: 14.0 pence per share) is proposed which would generate a payment of approximately £55.1 million (2022: £53.4 million). Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

Dividends on ordinary shares paid in 2023

A final cash dividend for 2022 of 14.0 pence per share was proposed in April 2023 and approved at the annual general meeting on 29 June 2023 and £53.4 million was paid in July 2023.

An interim cash dividend for 2023 of 9.0 pence per share was announced in September 2023 and £35.4 million was paid in November 2023.

As disclosed in the 2022 Annual Report, following the prior year end, the Directors became aware that certain dividends paid in 2022 had been made otherwise than in accordance with the Companies Act 2006, section 838, because interim accounts had not been filed at Companies House prior to payment. It is important to note that the Company had sufficient distributable profits at the time each relevant dividend was paid and therefore did not pay out by way of dividends more income than it had, and no payments were made out of capital. Relevant dividends were the final dividend paid in July and the interim dividend paid in November. To rectify these breaches, a resolution was passed at the Annual General Meeting held on 29 June 2023 to remove any right that the Company may have had to claim from shareholders or Directors or former Directors for repayment of these amounts by entering into deeds of release in relation to any such claims. This constituted a related party transaction under IAS 24. The overall effect of the resolution was to return the parties so far as possible to the position they would have been in had the relevant dividends been made in full compliance with the Act. The amounts for dividends included within the financial statements in 2022 have not been restated as the financial resources had left the Company and the intention of the resolution was to remove any right for the Company to pursue shareholders or directors for repayments.

12. Exploration and Evaluation Assets

	Total £000
Cost:	
1 January 2022	2,949
Additions	80,801
Write-offs	(82,749)
31 December 2022	1,001
Additions	9,673
Write-offs	(8,741)
Currency translation adjustment	(3)
31 December 2023	1,930
Net book amount:	
31 December 2023	1,930
31 December 2022	1,001

13. Property, Plant and Equipment

	Oil and gas properties £000	Equipment, fixtures and fittings £000	Right-of-use assets £000	Total £000
Cost:				
1 January 2022	466,554	212	516	467,282
Additions	15,953	–	345	16,298
Decom asset revisions (note 20)	(2,231)	–	–	(2,231)
31 December 2022	480,276	212	861	481,349
Acquisitions (note 29)	482,881	–	3,450	486,331
Additions	68,588	–	–	68,588
Decom asset revisions (note 20)	16,012	–	–	16,012
Currency translation adjustment	(16,777)	–	(115)	(16,892)
31 December 2023	1,030,980	212	4,196	1,035,388
Depreciation and depletion:				
1 January 2022	137,698	167	473	138,338
Charge for the year (note 5)	76,887	45	172	77,104
31 December 2022	214,585	212	645	215,442
Charge for the year (note 5)	108,576	–	622	109,198
Charge for the year - other	–	–	173	173
Currency translation adjustment	(915)	–	(9)	(924)
31 December 2023	322,246	212	1,431	323,889
Net book amount:				
31 December 2023	708,734	–	2,765	711,499
31 December 2022	265,691	–	216	265,907

Depreciation and depletion

Depletion charges on oil and gas properties are classified within 'cost of sales'. £622,000 and £173,000 of right of use asset depreciation has been charged to cost of sales and administrative expenses respectively.

NOTES TO THE FINANCIAL STATEMENTS continued

14. Inventories

	2023 £000	2022 £000
Materials and spare parts	4,981	3,998
Hydrocarbons	5,907	–
	10,888	3,998

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs and transportation expenses. Inventories are recorded net of an obsolescence provision of £3.1 million (2022: £3.1 million).

15. Trade and Other Receivables

	2023 £000	2022 £000
Due within one year:		
Trade receivables	83,409	100,445
Amounts recoverable from JV partners	1,720	2,567
Other receivables	20,144	9,192
Prepayments	10,793	18,306
VAT recoverable	2,525	4,117
Liquids underlift	20,019	–
	138,610	134,627

Trade receivables at 31 December 2023 arose from seven (2022: six) customers. They are non-interest bearing and are generally on 15 to 30-day terms.

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

16. Derivative Financial Liabilities

	2023 £000	2022 £000
Financial liabilities		
Derivative financial instruments	4,371	24,914
	4,371	24,914

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows: Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities; Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly (i.e. as prices) or indirectly (i.e. derived from prices) observable; Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The valuation methodology for derivative financial instruments is detailed below and for contingent consideration is disclosed in note 19. A table summarising the Group's liabilities measured at fair value is included in note 22.

16. Derivative Financial Liabilities continued

Derivative financial instruments

The Group enters into derivative financial instruments with various counterparties. Commodity and foreign currency derivative contracts are designated as at fair value through profit and loss (FVTPL), and gains and losses on these contracts are recognised in the income statement. Derivative financial instruments held at 31 December 2023 solely comprised UKA ETS swaps and at 31 December 2022 solely comprised gas swaps. These were valued by counterparties, with the valuations reviewed internally and corroborated with readily available market data of forward pricing (level 2). Details of the Group's derivative financial instruments held as at 31 December 2023 are provided in note 22. The mark-to-market of the Group's open contracts as at 31 December 2023 was a liability of £4.4 million (2022: £24.9 million).

The following gains and losses were recognised in the income statement:

	2023 £000	2022 £000
Commodity contracts designated as FVTPL		
Mark-to-market unrealised gains on gas swaps	24,592	20,877
Other unrealised losses	(4,195)	–
Unrealised hedging income	20,397	20,877
Gas swaps matured during the year	(12,118)	(45,384)
Other contracts matured during the year	(3,517)	–
Realised hedging expense	(15,635)	(45,384)

Unrealised hedging gains in 2023 comprise gains on gas swaps partially offset by unrealised losses on the UKA ETS swap instruments held (2022: gains on gas swaps). Unrealised hedging gains on gas and other swaps comprise unrealised charges on the movement during the year in the calculated fair value liability of outstanding gas price or other derivative contracts measured at the respective Balance Sheet dates.

Realised hedging losses measured at fair value through profit or loss for 2023 comprise losses realised on gas swaps and UKA ETS swaps. For 2022 losses were solely realised on gas swaps.

Hedging security advances

Hedging security advances of £24.3 million at 31 December 2022 represented cash security lodged with commodity hedging counterparties which reflected the gas prices at the end of 2022. This was returned to Serica when forward gas prices fell or when monthly contracts were settled.

Contract liabilities

	2023 £000	2022 £000
Contract liabilities	28,829	–
Gas contract liabilities	–	987
	28,829	987

On acquisition of Tailwind Energy Investments Ltd (see note 29) a pre-existing oil revenue contract was fair valued, resulting in contract liabilities of £54.2 million being recognised. The contract liabilities represent the differential in contract pricing and market price and will be realised as performance obligations are considered met in the underlying revenue contract. To the extent the contract liability represents the fair value differential between contract price and market price, it will be unwound through 'contract revenue – other' upon satisfaction of the performance obligation. £23.9 million has been released to the Income Statement in 2023 and £1.5 million of currency translation adjustment recognised through other comprehensive income.

The Group's gas contract liabilities which arose in 2021 upon the restructuring of certain hedging arrangements were fully released to the income statement in 2023 when the relevant volumes were delivered at the fixed-price forward sales prices.

NOTES TO THE FINANCIAL STATEMENTS continued

17. Cash and Cash Equivalents

	2023 £000	2022 £000
Cash at bank and in hand	182,167	146,986
Short-term deposits	81,325	285,543
	263,492	432,529

As at 31 December 2023, the cash balance of £263.5 million (2022: £432.5 million) contained an amount of £18.3 million held in a separate bank account for the purpose of providing security against letters of credit issued in respect of certain decommissioning liabilities (2022: £18.1 million). The use of cash is restricted by virtue of contractual restrictions with a 3rd party.

Decommissioning Security Agreement ("DSA") cash advances

DSA cash advances of £27.5 million at 31 December 2023 (31 December 2022: £nil) represented cash security temporarily lodged in respect of decommissioning obligations. These are not included in the cash and cash equivalents balance of £263.5 million above but were released to Serica in 2024 when security was provided under the new financing facility.

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

The Group's exposure to credit risk arises from potential default of a counterparty, with a maximum exposure equal to the carrying amount. The Group seeks to minimise counterparty credit risks by only depositing cash surpluses with major banks of high quality credit standing and spreading the placement of funds over a range of institutions.

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

	S&P/ Moody's credit rating	2023 £000	2022 £000
Barclays Bank plc	A-1	29,125	104,586
Lloyds Bank plc	A-1	128,394	184,548
DNB Bank ASA	P-1	65,374	103,272
Investec Bank plc	P-1	40,544	40,071

18. Trade and Other Payables

	2023 £000	2022 £000
Current:		
Trade payables	17,049	15,832
Other payables	9,256	7,972
Accrued expenses	59,224	32,108
Liquids overlift	11,886	13,975
	97,415	69,887

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

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

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

19. Financial Liabilities

	BKR consideration £000	Royalty liability £000	Other consideration £000	Total £000
At 31 December 2022	29,378	–	–	29,378
Acquisitions (note 29)	–	34,869	6,273	41,142
Change in fair value liability	5,910	630	1,044	7,584
Payments and settlements	–	–	(3,682)	(3,682)
Transfer to accruals	–	(4,649)	–	(4,649)
Currency translation adjustment	–	(1,135)	–	(1,135)
At 31 December 2023	35,288	29,715	3,635	68,638
Classified as:				
Current	–	–	3,635	3,635
Non-current	35,288	29,715	–	65,003
	35,288	29,715	3,635	68,638

BKR consideration

On 30 November 2018 Serica completed the four BKR acquisitions. During 2022, the final elements of contingent cash consideration arising from the net cash flow sharing arrangements, and other contingent payments arising from Rhum R3 well production and Rhum performance criteria, were made. The following elements of consideration were outstanding at 31 December 2022 and 2023:

- BP, Total E&P and BHP 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.
- 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.

Fair value measurement of BKR contingent consideration

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

The calculations are complex and involve a range of projections and assumptions related to estimates of future decommissioning expenditure, taxation, future operating and development costs, production volumes, oil and gas sales prices and discount rates. The underlying assumptions have been updated from 2022. Estimated contingent consideration payments have been calculated at a discount rate of 10% (2022: 10%).

Given the multiple input variables and judgements used in the calculations, and the inter relationships between changes in these variables, an estimate of a reasonable range of possible outcomes of undiscounted value of the contingent consideration has not been considered feasible. In isolation, the calculations are most sensitive to assumed oil and gas reserves, production profiles, estimated decommissioning costs and future commodity prices.

A sensitivity analysis to the discount rate used shows a decrease in the discount rate used from 10% to 9% would result in an increase in the fair value of the contingent consideration by £3.9 million, and an increase from 10% to 11% would result in a decrease in the fair value of the contingent consideration by £3.4 million.

NOTES TO THE FINANCIAL STATEMENTS continued

19. Financial Liabilities continued

Royalty liability

Royalty represents amounts payable under a pre-existing Tailwind sale and purchase agreement subject to future production volumes and commodity prices over the life of certain assets in the Triton Cluster.

The fair value of the royalty liability is estimated as at applicable reporting dates from a valuation technique using future expected discounted cash flows. This methodology uses several significant unobservable inputs which are categorised within Level 3 of the fair value hierarchy. The calculations involve a range of assumptions related to oil prices, production volumes and discount rates. Estimated payments have been calculated at a discount rate of 8.5%.

Given the multiple input variables and judgements used in the calculations, and the inter relationships between changes in these variables, an estimate of a reasonable range of possible outcomes of undiscounted value of the contingent consideration has not been considered feasible. In isolation, the calculations are most sensitive to assumed oil and gas reserves, production profiles, estimated decommissioning costs and future commodity prices.

A sensitivity analysis to the oil price assumption used shows a decrease in the oil price assumed by US\$5/bbl would result in a decrease in the fair value of the royalty liability by £5.9 million, and an increase by US\$5/bbl would result in an increase in the fair value of the royalty liability by £5.9 million.

Other consideration

Other consideration reflects the remaining deferred consideration payable under the Tailwind acquisition. This was settled in March 2024 (see note 29).

20. Provisions

	Decommissioning provision £000	Other provision £000	Total £000
At 1 January 2022	28,095	–	28,095
Additions	–	–	–
Revisions during the year (note 13)	(2,231)	–	(2,231)
Unwinding of discount (note 8)	553	–	553
Payments	(1,218)	–	(1,218)
At 31 December 2022	25,199	–	25,199
Acquisitions (note 29)	75,499	400	75,899
Change in estimate (note 13)	16,012	–	16,012
Change in estimate expensed (note 5)	368	–	368
Unwinding of discount (note 8)	2,913	–	2,913
Payments	(896)	(65)	(961)
Currency translation adjustment	(2,565)	(12)	(2,577)
At 31 December 2023	116,530	323	116,853
Classified as:			
Current	12,871	64	12,935
Non-current	103,659	259	103,918
	116,530	323	116,853

20. Provisions continued

Decommissioning provision

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas interests in the UK which are expected to be incurred up to 2036.

Bruce, Keith and Rhum fields

The Group makes full provision for the future costs of decommissioning its production facilities and pipelines on a discounted basis. With respect to the Bruce, Keith and Rhum fields, the decommissioning provision is based on the Group's contractual obligations of 3.75%, 8.33334% and 0% respectively of the decommissioning liabilities rather than the Group's equity interests acquired. The Group's provision represents the present value of decommissioning costs which are expected to be incurred prior to 2040 and assumes no further development of the Group's assets. The liability is discounted at a rate of 3.75% (2022: 3.25%) and the unwinding of the discount is classified as a finance cost (see note 8).

Triton area

The Triton area decommissioning provision is based on Serica group's obligations which are in excess of certain agreed decommissioning liability caps with the previous owners of Tailwind's equity interests in Triton. The Group's provision represents the present value of decommissioning costs which are expected to be incurred up to 2036 and assumes no further development of the Group's assets. These provisions have been created based on the Group's internal estimates and, where available, operator estimates and third-party reports. These estimates are reviewed regularly to take into account any material changes to the assumptions. The liability is discounted at a rate of 3.75% and the unwinding of the discount is classified as a finance cost (see note 8).

Orlando, Arthur and Columbus fields

The Group makes full provision for the decommissioning liabilities for these fields on its respective equity interests. The Group's provision represents the present value of decommissioning costs which are expected to be incurred between 2024 and up to 2030 and assumes no further development of the Group's assets. The liability is discounted at a rate of 3.75% (2022: 3.25%) and the unwinding of the discount is classified as a finance cost (see note 8).

Erskine field

No provision for decommissioning liabilities for the Erskine field is recorded as at 31 December 2022 or 2023 as the Group's current estimate for such costs is under the agreed capped level to be funded by BP. This has been fixed at a gross £174.0 million (£31.32 million net to Serica) with this figure adjusted for inflation.

Other

The estimation of costs, inflation and discount rates are considered to be judgemental and actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

If the cost estimates were increased by 10% and the spread between inflation and discount rate reduced to 0%, the value of the provisions could increase by c.£31.5 million (2022: c. £4.2 million).

The Group considers the impact of climate change and Net Zero targets, including action that may impose further requirements and costs on companies in the future, on decommissioning provisions, specifically the timing of future cash flows, and has concluded that it does not currently represent a key source of estimation uncertainty. As all of the Group's currently producing assets are projected to cease production by 2036 it is believed that any such future changes would have limited impact compared to assets with longer durations.

NOTES TO THE FINANCIAL STATEMENTS continued

21. Interest Bearing Loans and Borrowings

The Group's loan is carried at amortised cost as follows:

	2023 £'000	2022 £'000
Reserve based lending – at beginning of year	–	–
Acquisitions (note 29)	264,835	–
Repayments of borrowings	(81,406)	–
Proceeds from borrowings	34,478	–
Expense of loan commitment fees	3,331	–
Currency translation adjustment	(8,203)	–
Reserve based lending – at end of year	213,035	–
Loan commitment fees	–	–
Reserve based lending – at end of year	213,035	–
Due within one year	–	–
Due after more than one year	213,035	–
	213,035	–

Reserve Based Lending facility arrangements existing at 31 December 2023

Following completion of the acquisition of Tailwind Energy Investments Ltd on 23 March 2023, the Serica Group assumed the reserve-based lending and junior facility arrangements linked to the legacy Tailwind sub-group. This had a reserve-based lending facility (RBL) of US\$425 million from a syndicate of banks, secured over the Tailwind sub-group's oil and gas assets. The facility had a maturity date of 30 June 2027 and at the last RBL redetermination in June 2023, the facility available for drawdown was amended to US\$377 million. Interest accrued at LIBOR/SOFR plus a margin of between 2.5% to 3.1% depending on the maturity of the facility, with the primary exposure after 30 June 2023 being 1 month term SOFR.

At the acquisition date of 23 March, US\$330 million under the facility was drawn. During 2023, US\$58.8 million of repayments were made and the facility was US\$271.2 million drawn (£213.0 million) at 31 December 2023. All previously unamortised facility fee costs were expensed in 2023 following the announcement of the Group's new RBL facility noted below and the balance of the loan in the 31 December 2023 Balance Sheet therefore solely represents drawings of £213.0 million.

On 24 September 2019, the Tailwind sub-group also entered in a Junior Facility agreement with Mercuria Energy Trading S.A. for a facility of US\$50.0 million available on demand and with a maturity of 24 September 2026. This was a committed facility but there were no drawdowns on this facility as at the completion date of 23 March 2023 or any date thereafter until its cessation in January 2024 upon the signing of the new RBL.

New Reserve Based Lending facility arrangements effective January 2024

In December 2023 Serica announced the signing of a new US\$525 million secured RBL facility. Following the satisfaction of conditions precedent, this completed in January 2024 and refinanced the Group's previous financing arrangements.

The new RBL facility is a revolving credit facility available in multiple currencies, it provides significantly increased liquidity to support future acquisitions and investments and has established new relationships with a syndicate of leading international banks. The new RBL has a maturity date of 31 December 2029 with amortisation commencing on 31 December 2026. The interest rate for loan drawings is SOFR plus a margin of 3.90% per annum and the Borrowing Base Assets comprise all of Serica's interests in producing fields except Serica's largest single producing field the Rhum field, and the available amount under the facility is subject to semi-annual redeterminations. The new facility also includes a separate US\$100 million sub limit which can be utilised to issue Letters of Credit without the need for cash security.

The facility agreement also has an uncommitted accordion feature which provides an option for an additional financing of up to US\$525 million, amounting to facilities of up to US\$1,050 million. The accordion facility can be exercised within thirty-six months of the facility signing date, subject to certain conditions.

22. Financial Instruments

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

- Serica has exposure to interest rate fluctuations on its cash deposits and given the level of expenditure plans over 2024/25 this is managed in the short-term through selecting treasury deposit periods of one to three months. Cash and treasury credit risks are mitigated through spreading the placement of funds over a range of institutions each carrying acceptable published credit ratings to minimise concentration and counterparty risk.
- Serica sells oil, gas and related products only to recognised international oil and gas companies and has no previous history of default or non-payment of trade receivables. Where Serica operates joint ventures on behalf of partners it seeks to recover the appropriate share of costs from these third parties. The majority of partners in these ventures are well established oil and gas companies. In the event of non-payment, operating agreements typically provide recourse through increased venture shares.
- Serica retains certain non-£ cash holdings and other financial instruments relating to its operations. The £ reporting currency value of these may fluctuate from time to time causing reported foreign exchange gains and losses. Serica maintains a broad strategy of matching the currency of funds held on deposit with the expected expenditures in those currencies. Management believes that this mitigates most of any actual potential currency risk from financial instruments.

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

Interest Rate Risk Profile of Financial Assets and Liabilities

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

Group

Year ended 31 December 2023

Fixed rate	Within 1 year £000	1-2 years £000	2-5 years £000	Total £000
Short-term deposits	81,325	–	–	81,325
				81,325
Floating rate	Within 1 year £000	1-2 years £000	2-5 years £000	Total £000
Cash	182,167	–	–	182,167
Loans and borrowings	–	–	(213,035)	(213,035)
				(30,868)

Year ended 31 December 2022

Fixed rate	Within 1 year £000	1-2 years £000	2-5 years £000	Total £000
Short-term deposits	285,543	–	–	285,543
				285,543
Floating rate	Within 1 year £000	1-2 years £000	2-5 years £000	Total £000
Cash	146,986	–	–	146,986
				146,986

NOTES TO THE FINANCIAL STATEMENTS continued

22. Financial Instruments continued

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

Increase/decrease in interest rate	Effect on profit before tax 2023 £000	Effect on profit before tax 2022 £000
+0.75%	1,008	1,618
-0.75%	(1,008)	(1,618)

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

Credit risk

The Group's exposure to credit risk relating to financial assets arises from the default of a counterparty with a maximum exposure equal to the carrying value as at the balance sheet date. Cash and treasury credit risks are mitigated through spreading the placement of funds over a range of institutions each carrying acceptable published credit ratings to minimise counterparty risk.

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

Foreign currency risk

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

	Group	
	2023 £000	2022 £000
US Dollar	115,427	44,535
Norwegian kroner	5	6
Euros	117	106
Accounts receivable:		
US Dollar	56,252	8,410
Interest bearing loans:		
US Dollar	213,035	–
Trade and other payables:		
US Dollar	9,492	6,829

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

Increase/decrease in foreign exchange rate	Effect on profit before tax 2023 £000	Effect on profit before tax 2022 £000
10% strengthening of £ against US\$	5,085	(4,612)
10% weakening of £ against US\$	(5,085)	4,612

22. Financial Instruments continued

Liquidity risk

The table below summarises the maturity profile of the Group and Company's financial liabilities at 31 December 2023 based on contractual undiscounted payments. The Group monitors its risk to a potential shortage of funds by monitoring the maturity dates of existing debt.

Year ended 31 December 2023	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	>5 years £000	Total £000
Trade and other payables	97,415	–	–	–	97,415
Loans and borrowings	–	–	213,035	–	213,035
Derivative financial liabilities	4,371	–	–	–	4,371
Royalty liability	5,425	6,910	14,436	16,362	43,133
Year ended 31 December 2022	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	>5 years £000	Total £000
Trade and other payables	69,887	–	–	–	69,887
Derivative financial liabilities	24,914	–	–	–	24,914

Amounts payable as BKR contingent consideration are explained in detail in note 19.

Commodity price risk

The Group is exposed to commodity price risk. Where and when appropriate the Group will put in place suitable hedging arrangements to mitigate the risk of a fall in commodity prices. All gas production is currently sold at prices linked to the spot market and the significant majority of NGL production is sold at prices linked to the spot market. Oil production for 2024 will be sold at a mix of fixed and spot market linked pricing.

At 31 December 2023 Serica held fixed pricing under oil sales agreements (equivalent to oil price swaps) for approximately 2.5 million barrels at an average price of US\$67.4 per barrel for the 2024 period.

Serica held no gas price swaps or equivalent fixed gas price mechanisms at 31 December 2023.

Serica also held fixed price swaps for UKA ETS products consisting of 132,000 MT at £79.24/MT for 2024.

Fair values of financial assets and liabilities

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

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

Liabilities measured at fair value	Note	Fair value measurement using:		
		Quoted prices in active markets Level 1 £'000	Significant observable inputs Level 2 £'000	Significant unobservable inputs Level 3 £'000
Year ended 31 December 2023				
Derivative financial liabilities	16	–	4,371	–
Contingent consideration liability	19	–	–	35,288
Royalty liability	19	–	–	29,715
Year ended 31 December 2022				
Derivative financial liabilities	16	–	24,914	–
Contingent consideration liability	19	–	–	29,378

There were no transfers between Level 1 and Level 2 during 2022 or 2023.

NOTES TO THE FINANCIAL STATEMENTS continued

22. Financial Instruments continued

Capital management

The primary objective of the Group's capital management is to maintain appropriate levels of funding to meet the commitments of its forward programme of exploration, production and development expenditure, and to safeguard the entity's ability to continue as a going concern and create shareholder value. At 31 December 2023, capital employed of the Group amounted to £867.2 million (comprised of £654.2 million of equity shareholders' funds and £213.0 million of borrowings), compared to £408.7 million at 31 December 2022 (comprised of £408.7 million of equity shareholders' funds and £nil of borrowings).

The acquisition of Tailwind Energy Investments Ltd on 23 March 2023 to further the Group's business objectives, has brought some debt into the capital structure of the Group. This consists of the borrowings disclosed in note 29. The Board regularly reassesses the appropriate dividend payments proposed within the capital structure of the Group. Any future payment of dividends is expected to depend on the earnings and financial condition of the Company and such other factors as the Board considers appropriate.

23. Equity Share Capital

As at 31 December 2023, the share capital of the Company comprised one "A" share of GB£50,000 and 391,321,053 ordinary shares of US\$0.10 each. The "A" share has no special rights.

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

Allotted, issued and fully paid: Group	Number '000	Share capital £000	Share premium £000	Total Share capital £000	Merger reserve £000
As at 1 January 2022	268,891	21,186	160,807	181,993	–
Shares issued	4,062	328	856	1,184	–
As at 1 January 2023	272,953	21,514	161,663	183,177	–
Shares issued	118,368	9,439	305	9,744	230,350
As at 31 December 2023	391,321	30,953	161,968	192,291	230,350

During 2023, 8,758,407 ordinary shares were issued to satisfy awards under the Company's share-based incentive schemes. In connection with the acquisition of Tailwind Energy Investments Ltd in March 2023, 108,170,426 ordinary shares were issued at completion of the transaction on 23 March and a further 1,438,849 ordinary shares were issued in September 2023 (see note 29).

2,147,354 ordinary shares have been issued in 2024 to date and as at 19 April 2024 the issued voting share capital of the Company was 393,468,407 ordinary shares and one "A" share.

Group merger reserve

Merger relief was applied by the Group's parent entity Serica Energy plc upon the respective issues of 108,170,426 ordinary shares in March 2023 and 1,438,849 ordinary shares in September 2023, for the acquisition of Tailwind Energy Investments Ltd. The valuation of the shares issued was based on the fair value at the date of issue, with the nominal value of the shares issued credited to share capital and the excess value of £230.3 million above nominal share capital credited to a merger reserve in the consolidated Group accounts.

24. Additional Cash Flow Information

Net cash flows from operating activities consist of:

For the year ended 31 December 2023	Note	2023 £000	2022 £000
Operating activities:			
Profit for the year		102,984	177,796
Adjustments to reconcile profit for the year to net cash flow from operating activities:			
Taxation charge		202,639	310,382
Change in fair value liabilities		7,584	(8,407)
Change in provisions		368	–
Gain on acquisition		(34,048)	–
Net finance costs/(income)		7,949	(3,870)
Depletion and depreciation		109,371	76,887
Oil and NGL over/underlift		(9,256)	20,270
E&E asset write-offs		8,741	82,749
Unrealised hedging gains		(20,397)	(20,877)
Movement in gas contract revenue		(987)	(37,505)
Contract revenue - other		(23,904)	–
Share-based payments		3,975	3,510
Other non-cash movements		3,104	(1,503)
Decrease in hedging security advances		24,320	91,070
Increase in DSA cash advances		(27,537)	–
Decrease/(increase) in trade and other receivables		69,895	(8,571)
(Increase)/decrease in inventories		(983)	55
(Decrease)/increase in trade and other payables		(45,449)	22,872
Cash inflow from operations		378,369	704,858
Taxation paid		(279,463)	(143,500)
Decommissioning spend		(896)	(1,218)
Net cash inflow from operating activities		98,010	560,140

NOTES TO THE FINANCIAL STATEMENTS continued

24. Additional Cash Flow Information continued

Reconciliation of movement in net cash flow to movement in net cash/(borrowings)

	2023 £000	2022 £000
Loans assumed upon acquisition (note 29)	(264,835)	–
Repayment of borrowings	81,406	–
Proceeds from borrowings	(34,478)	–
Amortisation of fees	(3,331)	–
Currency translation adjustments	8,203	–
Movement in total borrowings	(213,035)	–
Movement in cash and cash equivalents	(169,037)	329,545
(Decrease)/increase in net cash in the year	(382,072)	329,545
Opening net cash	432,529	102,984
Closing net cash	50,457	432,529

Analysis of Group net cash

	2023 £000	2022 £000
Cash	182,167	146,986
Short-term deposits	81,325	285,543
Loans	(213,035)	–
Closing net cash	50,457	432,529

Changes in lease liabilities arising from financing activities

	2023 £000	2022 £000
Lease liability at beginning of the year	213	343
Acquisition during the year	2,180	–
Lease payments	(628)	(132)
Lease interest expense	151	–
Currency translation adjustment	(62)	–
Lease liability at end of the year	1,854	213

25. Share-Based Payments

Share Option Plans

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

The Discretionary Plans will govern all future grants of options by the Company to Directors, officers, key employees and certain consultants of the Group. The Directors intend that the maximum number of ordinary shares which may be utilised pursuant to the Discretionary Plans will not exceed 10% of the issued ordinary shares of the Company from time to time in line with the recommendations of the Association of British Insurers.

The objective of these plans is to develop the interest of Directors, officers, key employees and certain consultants of the Group in the growth and development of the Group by providing them with the opportunity to acquire an interest in the Company and to assist the Company in retaining and attracting executives with experience and ability.

Serica 2005 Option Plan

As at 31 December 2023, 800,000 options granted by the Company under the Serica 2005 Option Plan were outstanding. All options awarded under the Serica 2005 Option Plan since November 2009 have a three-year vesting period. No options were granted in 2022 or 2023 under the Serica 2005 Option Plan.

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

Serica 2005 option plan	2023 Number	2023 WAEP £	2022 Number	2022 WAEP £
Outstanding as at 1 January	3,900,000	0.14	4,100,000	0.14
Exercised during the year	(3,100,000)	0.16	(200,000)	0.27
Outstanding as at 31 December	800,000	0.07	3,900,000	0.14
Exercisable as at 31 December	800,000	0.07	3,900,000	0.14

The weighted average remaining contractual life of options outstanding as at 31 December 2023 is 1.5 years (2022: 2.4 years). The weighted average share price during 2023 across the period that options were exercised in was £2.36 (2022: £3.28).

For the Serica 2005 option plan, the exercise price for all outstanding options at the 2023 year-end is £0.07 (2022: £0.07 to £0.24).

Long Term Incentive Plan

The following awards granted to certain Directors and employees under the LTIP are outstanding as at 31 December 2023.

Deferred Bonus Share Awards

Deferred Bonus Share Awards involve the deferral of bonuses into awards over shares in the Company. They are structured as nil-cost options and may be exercised up until the fifth anniversary of the date of grant. The 726,000 Deferred Bonus Share Awards outstanding and fully vested at 31 December 2022 were all exercised prior to their expiry date in May 2023. There are no Deferred Bonus Share Awards outstanding at 31 December 2023.

Performance Share Awards

Performance Share Awards have a three-year vesting period and are subject to performance conditions based on average share price growth targets to be measured by reference to dealing days in the period of 90 days ending immediately prior to expiry of a three-year performance starting on the date of grant of a Performance Share Award. Performance Share Awards are structured as nil-cost options and may be exercised up until the tenth anniversary of the date of grant.

NOTES TO THE FINANCIAL STATEMENTS continued

25. Share-Based Payments continued

Performance and Retention Share Awards	2023 Number	2022 Number
Outstanding as at 1 January	13,326,567	14,448,764
Granted during the year	1,075,668	665,632
Expired or cancelled during the year	(267,827)	–
Exercised during the year	(4,217,078)	(1,787,829)
Outstanding as at 31 December	9,917,330	13,326,567
Exercisable as at 31 December	5,718,825	7,264,623

The weighted average remaining contractual life of options outstanding as at 31 December 2023 is 5.6 years (2022: 7.0 years). The weighted average share price during 2023 across the period that options were exercised in was £2.36 (2022: £3.23).

LTIP awards in 2022

In May 2022, the Company granted nil-cost Performance Share Awards over 665,632 ordinary shares under the LTIP. All of the total awards were outstanding at 31 December 2022. The award was made to members of the Group's executive team, senior management and employees.

The vesting criteria are based on absolute share price performance over a three-year period and specific performance targets related to carbon emissions from operations over the same period. For the awards to vest in full, a 100% increase in average share price must be maintained for at least a six-month period together with a significant decrease in carbon emissions per barrel of oil equivalent produced. These awards are not exercisable at 31 December 2023.

LTIP awards in 2023

In May 2023, the Company granted nil-cost Performance Share Awards over 1,075,668 ordinary shares under the LTIP. The award was made to members of the Group's executive team and senior management.

The vesting criteria are based on absolute share price performance over a three-year period and specific performance targets related to carbon emissions from operations over the same period. For the awards to vest in full, the highest average share price must be at least equal to 500p during the 180 day period terminating on the end of the performance period together with a significant decrease in carbon emissions per barrel of oil equivalent produced. All of the total awards were outstanding and are not exercisable at 31 December 2023.

Share-based compensation

The Company calculates the value of share-based compensation using a Black-Scholes option pricing model (or other appropriate model for those options subject to certain market conditions) to estimate the fair value of share options at the date of grant. There are no cash settlement alternatives. The options granted in 2022 and 2023 were consistently valued in line with the Company's valuation policy. For the options subject to market conditions, assumptions made included a weighted average risk-free interest rate of 2%, a weighted average expected life of 5 years, and a volatility factor of expected market price of in a range from 55-70%. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The weighted fair value of options granted during the year was £1.69 (2022: £1.95). The estimated fair value of options is amortised to expense over the options' vesting period.

£3,975,000 has been charged to the income statement for the year ended 31 December 2023 (2022: £3,510,000) and a similar amount credited to the share-based payments reserve, classified as 'Other reserve' in the Balance Sheet. The 'Other reserve' was comprised solely of the share-based payment reserve which totaled £29,551,000 as at 31 December 2023 (2022: £25,576,000). A charge of £2,341,000 (2022: 2,036,000) of the total charge was in respect of key management personnel (defined in note 7).

26. Leases

A right of use asset for oil and gas operations (note 13) and its related finance lease were acquired as part of the Tailwind acquisition (note 29). This lease is secured by the assets leased and bears interest at a fixed rate with repayments due over a 5-year period. The total lease liability amounts to £1,768,000 of which £653,000 is due for settlement within 12 months and £1,115,000 due after 12 months. These are classified within trade and other payables. A depreciation charge of £622,000 (2022: £nil) was expensed within cost of sales.

In March 2019 the Group entered into a three-year lease at its new registered office, 48 George Street, following the expiry of its previous London office lease at 52 George Street. The Group confirmed a two-year option extension in March 2022 and the office lease now expires in Q2 2024. A depreciation charge of £173,000 (2022: £172,000) was expensed within administrative expenses.

£628,000 (2022: £132,000) of cash payments made against the lease liabilities during 2023 are reflected in the 2023 Group cash flow statement as a cash outflow in financing activities.

27. Capital Commitments and Contingencies

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

Serica's planned 2024 investment programme includes a Light Well Intervention Vessel campaign on the Bruce and Keith fields and a four-well drilling campaign in the Triton Area (Bittern B1z, Gannet GE-05, Evelyn Phase 2 (EV02) and a Guillemot NW infill well). Potential further programmes to enhance current production profiles and extend field life are under consideration but will be reviewed carefully in the light of the uncertainty related to the UKCS fiscal regime.

At 31 December 2023, the Group had commitments for future capital expenditure relating to its oil and gas properties amounting to £214 million which relate primarily to the Triton Area four well programme, the Bruce and Keith LWIVs, other capital works on Erskine, Arthur decommissioning and general exploration.

The Group's only significant exploration commitment is the drilling of a commitment well on Licence P2400 (Skerryvore – Serica 20%) to be drilled before October 2025.

Serica has posted cash collateral of approximately £18.3 million under BKR decommissioning security arrangements, related to the interests acquired from Marubeni in support to the issue of letters of credit required. This secured amount is within the Group's cash balances of £263.5 million as at 31 December 2023. The funds are freely transferable but alternative collateral would need to be put in place to replace the cash security.

Other

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

28. Related Party Transactions and Transactions with Directors

The Group financial statements include the financial statements of Serica Energy plc and its subsidiaries listed in note 30. Balances and transactions between the Company and its subsidiary, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The related party balances have no fixed repayment terms and bore no interest.

The Group's main related parties comprise the Directors and Mercuria Group entities, the latter being related parties due to the significant shareholding of a Mercuria Group subsidiary, Mercuria Holdings (UK) Limited, in Serica Energy plc. Balances and transactions with Mercuria Energy Trading S.A., a subsidiary of the Mercuria Group are disclosed below.

	31 December 2023 £000
Balances with related party at year end	
Mercuria Energy Trading S.A.	
Accrued receivables	20,526
Other financial liabilities	(4,371)
Trade payables	(1,426)
Accruals	(988)

28. Related Party Transactions and Transactions with Directors continued

On 24 September 2019, the Tailwind sub-group entered in a Junior Facility agreement with Mercuria Energy Trading S.A. for a facility of US\$50.0 million with a maturity of 24 September 2026. There were no drawdowns on this facility as at 31 December 2023. This facility was terminated in January 2024 following the refinancing of the Group's reserve-based lending facility (note 21).

	Year ended 31 December 2023 £000
Transactions in income statement with Mercuria Energy Trading S.A.	
Revenue	162,574
Cost of sales	(7,576)
Loss on commodity derivative contracts	(6,872)
Gain on currency derivative contracts	741
Loan commitment fee accrued	224

The above transactions were conducted under contracts already in place when Serica acquired Tailwind Energy Investments Ltd on 23 March 2023, principally the Offtake and Marketing Agreement covering oil offtake from Serica's share in the Triton area and part of Serica's share in Columbus. These contracts were set on prevailing market terms.

There are no related party transactions, or transactions with Directors that require disclosure except for the remuneration items disclosed in the Directors Report and note 7 above. These disclosures include the compensation of key management personnel.

A resolution passed at the Annual General Meeting held on 29 June 2023 to remove any right that the Company may have had to claim from shareholders or Directors or former Directors for repayment of certain dividend amounts by entering into deeds of release in relation to any such claims constituted a related party transaction under IAS 24 and further detail is provided in note 11.

29. Acquisition of Tailwind Energy Investments Ltd

On 23 March 2023, the Company acquired 100% of the shares of Tailwind Energy Investments Ltd for an initial purchase consideration of £297.4 million. This comprised cash of £61.6 million and the fair value of 108,170,426 ordinary shares in Serica Energy plc issued in exchange for all Tailwind shares. The fair value of the shares issued was calculated using the market price of the Company's shares of £2.18 on the AIM Market of the London Stock Exchange at its opening of business on 23 March 2023.

A further 2,877,698 ordinary shares were issued to the sellers in two equal tranches of 1,438,849 ordinary shares in September 2023 and March 2024 respectively. These form part of the aggregate 111,048,124 ordinary shares issued as part of the purchase consideration and were issued after periods of no successful warranty claims.

Tailwind's activities comprise development and production oil & gas assets in the UK North Sea held in interests in joint operations. The acquisition of Tailwind was aimed at achieving Serica's longstanding objective to have a more diverse and broadly based UKCS portfolio of producing fields, with material reserves and value upside potential. The transaction represents substantial progress towards this objective with the number of producing fields increased from five to eleven, mainly centred around two hubs (Bruce and Triton), a substantial increase in 2P and 2C reserves and a balance of gas and oil production.

As the activity constitutes a business as defined in IFRS 3 Business Combinations, the acquisitions have been accounted for as a business combination. The consolidated financial statements include the fair values of the identifiable assets and liabilities as at the date of acquisition 23 March 2023, and the results of the combined transaction assets for the nine-month period from the acquisition date. In accordance with IFRS 3 Business Combinations, the fair values of the assets and liabilities in the acquisition table below are now final. The fair value of property, plant and equipment was determined using modelled future cash flows on a post-tax basis. A deferred tax liability was also then separately recognised and included in the net deferred tax asset on acquisition as part of the identifiable net assets.

29. Acquisition of Tailwind Energy Investments Ltd continued

Assets acquired and liabilities assumed at date of acquisition	Fair value recognised on acquisition £000
Assets	
Property, plant and equipment (note 13)	486,331
Exploration and evaluation assets	–
Net deferred tax asset (note 9)	264,914
Debtors and other assets	68,226
Inventory	6,112
Cash and cash equivalents	17,600
	843,183
Liabilities	
Trade and other payables	(71,798)
Contract liabilities (note 16)	(54,174)
Financial liabilities	(3,839)
Royalty liabilities (note 19)	(34,869)
Provisions (note 20)	(75,899)
Interest bearing loans (note 21)	(264,835)
	(505,414)
Total identifiable net assets at fair value	337,769
Cash consideration	61,636
Initial consideration shares issued	235,812
Deferred consideration shares	6,273
Purchase consideration	303,721
Gain arising on acquisition	34,048

Fair value of consideration

The combined purchase consideration of the transaction was £303.7 million, which comprised cash of £61.6 million, the fair value of 108,170,426 ordinary shares in Serica Energy plc issued in exchange for all Tailwind shares, and the fair value of a further 2,877,698 ordinary shares which were issued to the sellers subsequent to the acquisition after the conclusion of periods with no successful warranty claims. The fair value of the initial consideration shares issued was calculated using the market price of the Company's shares of £2.18 on the AIM Market of the London Stock Exchange at its opening of business on 23 March 2023. The deferred consideration share consideration was also valued using the share price on acquisition and this value is approximate to the fair value.

The gain arising on acquisition representing the excess of fair value of the net assets acquired over the purchase consideration largely arose due to a reduction in the value of consideration paid based on the market price of shares issued at the completion date of 23 March 2023.

The excess of fair value of the net assets acquired over the purchase consideration has been recognised as a gain on acquisition in the income statement.

From the date of acquisition, the Tailwind assets have contributed £243 million of revenue and £86 million of profit before tax in the period ended 31 December 2023. Had the acquisition occurred on 1 January 2023, the Tailwind assets would have contributed £338 million of revenue and £154 million of profit before tax for the year ended 31 December 2023.

Transaction costs of £1.8 million incurred in 2022 and £10.1 million in 2023 have been expensed in the Income Statement. Debtors and other assets included in the total identifiable net assets at fair value were equivalent to gross contractual amount receivables.

Reserve Based Lending facility arrangements

Following completion of the acquisition on 23 March 2023, the Serica Group assumed reserve-based lending and junior facility arrangements linked to the legacy Tailwind sub-group (see note 21).

NOTES TO THE FINANCIAL STATEMENTS continued

30. Subsidiaries

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

Name of company:	Holding	Nature of business	% voting rights and shares held 2023
Serica Holdings UK Ltd ⁽ⁱⁱⁱ⁾	Ordinary	Holding	100
Tailwind Energy Investments Ltd ^{(iii)*}	Ordinary	Holding	100
Serica Energy Holdings BV ^(i & iii)	Ordinary	Holding	100
Serica Energy (UK) Ltd ^(i & ii)	Ordinary	E&P	100
NSV Energy Limited ^(i & ii)	Ordinary	Holding	100
Tailwind Energy Ltd ^{(i & ii)*}	Ordinary	E&P	100
Tailwind Energy Sirocco Ltd ^{(i & ii)*}	Ordinary	Holding	100
Tailwind Energy Chinook Ltd ^{(i & ii)*}	Ordinary	E&P	100
Tailwind Mistral Ltd ^{(i & ii)*}	Ordinary	E&P	100
Tailwind Energy Bora Ltd ^{(i & ii)*}	Ordinary	E&P	100
Serica Energy Corporation ^(i & iv)	Ordinary	Dormant	100
APD Ltd ^(i & iv)	Ordinary	Dormant	100
PDA Asia Ltd ^(i & iv)	Ordinary	Dormant	100
PDA (Lematang) Ltd ^(i & ii)	Ordinary	Dormant	100
Serica UK Exploration Ltd ^(i & ii)	Ordinary	Dormant	100

(i) Held by a subsidiary undertaking

(ii) Incorporated in the UK

(iii) Incorporated in the Netherlands

(iv) Incorporated in the British Virgin Islands

*On 10 April 2024 the following companies changed their names as detailed in the table below:

Previous name	New name
Tailwind Energy Investments Ltd	Serica Energy Investments Limited
Tailwind Energy Ltd	Serica Energy Meltemi Limited
Tailwind Mistral Ltd	Serica Energy Mistral Limited
Tailwind Energy Sirocco Ltd	Serica Energy Sirocco Limited
Tailwind Energy Chinook Ltd	Serica Energy Chinook Limited
Tailwind Energy Bora Ltd	Serica Energy Bora Limited

The registered office of Serica Holdings UK Limited, Serica Energy (UK) Limited, PDA (Lematang) Limited and Serica UK Exploration Limited is 48 George Street, London, W1U 7DY.

The registered office of Tailwind Energy Investments Ltd, NSV Energy Limited, Tailwind Energy Sirocco Ltd, Tailwind Mistral Ltd and Tailwind Energy Bora Ltd is 62 Buckingham Gate, London, SW1E 6AJ.

The registered office of Tailwind Energy Chinook Ltd is H1 Building, Hill of Rubislaw, Anderson Drive, Aberdeen, AB15 6BY.

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

30. Subsidiaries continued

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

31. Events Since Balance Sheet Date

On 23 January 2024 Serica announced the completion of a new US\$525 million 6-year Borrowing Facility which replaced its existing facility.

On 26 February 2024 Serica announced the completion of the acquisition of 30% non-operated interests in the P2498 and P2170 licences (together the Greater Buchan Area) from Jersey Oil & Gas.

On 6 March 2024, the UK government announced that EPL would be extended for a further 12 months to 31 March 2029 from the former end date of 31 March 2028.

DIRECTORS' RESPONSIBILITIES STATEMENT in relation to the Company financial statements

The Directors are responsible for preparing the Company financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under United Kingdom company law the Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 'Reduced Disclosure Framework' (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the Company financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

COMPANY BALANCE SHEET as at 31 December 2023

Serica Energy plc

Registered Number: 5450950

	Note	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment		43	216
Investments in subsidiaries	3	420,106	105,256
		420,149	105,472
Current assets			
Trade and other receivables	4	18,484	25,445
Cash and cash equivalents	5	120,718	141,218
		139,202	166,663
TOTAL ASSETS		559,351	272,135
Current liabilities			
Trade and other payables	6	2,616	3,367
Financial liabilities	7	3,635	–
TOTAL LIABILITIES		6,251	3,367
NET ASSETS		553,100	268,768
Share capital	8	165,222	155,478
Merger reserve	8	318,440	88,088
Other reserve	8	29,551	25,576
Accumulated funds/(deficit)		39,887	(374)
TOTAL EQUITY		553,100	268,768

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2023

Company	Share capital £000	Merger reserve £000	Other reserve £000	Accum'd funds (deficit) £000	Total £000
At 1 January 2022	154,294	88,088	22,066	2,416	266,864
Profit for the year	–	–	–	43,504	43,504
Total comprehensive income	–	–	–	43,504	43,504
Share-based payments	–	–	3,510	–	3,510
Issue of share capital (note 8)	1,184	–	–	–	1,184
Dividend paid	–	–	–	(46,294)	(46,294)
At 31 December 2022	155,478	88,088	25,576	(374)	268,768
Profit for the year	–	–	–	129,049	129,049
Total comprehensive income	–	–	–	129,049	129,049
Share-based payments	–	–	3,975	–	3,975
Issue of share capital (note 8)	9,744	230,350	–	–	240,094
Dividend paid	–	–	–	(88,786)	(88,786)
At 31 December 2023	165,222	318,438	29,551	39,889	553,100

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Corporate Information

The Company's financial statements for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 23 April 2024 and the balance sheet was signed on the Board's behalf by Mitch Flegg and Martin Copeland. 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 its subsidiaries (together the "Group") is to identify, acquire and subsequently exploit oil and gas reserves.

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 2023.

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

These separate financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100, 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council. The Company has undergone a transition to FRS 101 for the year ended 31 December 2023 and, as permitted by FRS 101, has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, fair value measurement, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Group accounts.

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 profit of the parent Company was £129,049,000 (2022: £43,504,000).

Going concern

The Directors' assessment of going concern concludes that the use of the going concern basis is appropriate and the Directors have a reasonable expectation that the Group, and therefore the Company, will be able to continue in operation and meet its commitments as they fall due over the going concern period. See note 2 of the Group financial statements for further details.

Critical accounting estimates and judgements

The management of the Company has to make estimates and judgements when preparing the financial statements of the Company. Uncertainties in the estimates and judgements could have an impact on the carrying amount of assets and liabilities and the Company's results.

The most important judgements and estimates in relation thereto are:

Impairment of investments in subsidiaries

Management is required to assess the carrying value of investments in subsidiaries in the parent company balance sheet for impairment. This requires a judgement whether impairment triggers exist that might lead to the impairment of investments in subsidiaries. If a trigger is identified then the assessment for impairment requires an estimate of amounts recoverable from oil and gas assets within the underlying subsidiaries.

Investments

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

Trade and other receivables and contract assets

Provision for expected credit losses of trade receivables and contract assets

The Company holds inter-company loans with subsidiary undertakings with repayment dates being repayable on demand. These inter-company loans are disclosed on the face of the balance sheet. None are past due nor impaired. The carrying value of these loans approximates their fair value. The expected credit loss on these loans with subsidiary undertakings is expected to be immaterial, both on initial recognition and subsequently.

Foreign currencies

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 are charged to the income statement.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

3. Investments

Company – Investment in subsidiaries	Total £000
Cost:	
At 1 January and 31 December 2022	105,256
Additions in year	314,850
At 31 December 2023	420,106
Provision for impairment:	
At 1 January 2022, 31 December 2022 and 31 December 2023	–
Net book amount:	
At 31 December 2023	420,106
At 1 January and 31 December 2022	105,256

Historic reorganisation

In the Company financial statements, the cost of the investment acquired on an historic reorganisation in 2005 was calculated with reference to the market value of Serica Energy Corporation as at the date of the reorganisation. As a UK company, under Section 612 of the Companies Act 2006, the Company is entitled to merger relief on its share reorganisation with Serica Energy Corporation, and the excess of £88,088,000 over the nominal value of shares issued (US\$7,475,000) was credited to a merger reserve. The merger reserve is adjusted for any write-down in the value of the investment in subsidiary.

2023 acquisition of Tailwind Energy Investments Ltd

Merger relief was applied by the Company upon the issue of ordinary shares in 2023 for the acquisition of Tailwind Energy Investments Ltd. The valuation of the shares issued was based on the fair value at the date of issue, with the nominal value of the shares issued credited to share capital and the excess value above nominal share capital credited to a merger reserve in the Company accounts (see note 8).

Details of the investments in which the Company's subsidiaries are provided in note 30 of the Group financial statements.

4. Trade and Other Receivables

	2023 £000	2022 £000
Due within one year:		
Amounts owed by Group undertakings	16,153	24,998
Other receivables	2,316	222
Prepayments and accrued income	15	–
VAT recoverable	–	225
	18,484	25,445

At the reporting date the amounts owed by Group undertakings to the Company are disclosed net of an impairment of £nil (2022: £13,231,000). Amounts previously impaired were written-off in the year as there was no reasonable expectation of recovery. These amounts have not been secured, have no maturity and bear no interest.

The Company holds inter-company loans with subsidiary undertakings being repayable on demand. The carrying value of these loans approximates their fair value. The expected credit loss on these loans with subsidiary undertakings is expected to be immaterial, both on initial recognition and subsequently.

5. Cash and Cash Equivalents

	2023 £000	2022 £000
Cash at bank and in hand	88,542	49,261
Short-term deposits	32,176	91,957
Cash and cash equivalents	120,718	141,218

6. Trade and Other Payables

	2023 £000	2022 £000
Current:		
Trade payables	1,387	603
Other payables	181	521
Accrued expenses	1,048	2,243
	2,616	3,367

7. Financial Liabilities

	2023 £000	2022 £000
Current:		
Consideration payable	3,635	–
	3,635	–

Other consideration reflects the remaining deferred consideration payable under the Tailwind acquisition. This was settled in March 2024 (note 29 of Group accounts).

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

8. Equity Share Capital and Reserves

As at 31 December 2023, the share capital of the Company comprised one "A" share of GB£50,000 and 391,321,053 ordinary shares of US\$0.10 each. The "A" share has no special rights.

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

Allotted, issued and fully paid: Company	Number	Share capital £000	Share premium £000	Total Share capital £000
As at 1 January 2022	268,891,044	21,186	133,108	154,294
Shares issued	4,062,328	328	856	1,184
As at 1 January 2023	272,953,372	21,514	133,964	155,478
Shares issued	118,367,682	9,439	305	9,744
As at 31 December 2023	391,321,054	30,953	134,269	165,222

During 2023, 8,758,407 ordinary shares were issued to satisfy awards under the Company's share-based incentive schemes. In connection with the acquisition of Tailwind Energy Investments Ltd in March 2023, 108,170,426 ordinary shares were issued at completion of the transaction on 23 March and a further 1,438,849 ordinary shares were issued in September 2023 (see note 32 of the Group financial statements).

Merger relief was applied by the Company upon the issue of ordinary shares for the acquisition of Tailwind Energy Investments Ltd in 2023. The valuation of the shares issued was based on the fair value at the date of issue, with the nominal value of the shares issued credited to share capital and the excess value above nominal share capital credited to a merger reserve in the Company accounts.

The 'Other reserve' was comprised solely of the share-based payment reserve which totaled £29,551,000 as at 31 December 2023 (2022: £25,576,000).

9. Auditor's remuneration

Fees payable to the Company's auditor for the audit of the Company and Group financial statements are disclosed in note 6 of the Group financial statements.

10. Directors' remuneration

The emoluments of the Directors are paid to them in their capacity as Directors of the Company for qualifying services to the Company and the Group. Further information is provided in note 7 of the Group financial statements.

11. Events Since Balance Sheet Date

On 23 January 2024 Serica announced the completion of a new US\$525 million 6-year Borrowing Facility which replaced its existing facility (see note 31 in Group accounts).

RECONCILIATION OF NON-IFRS MEASURES

Serica uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles ("GAAP"). These non-IFRS measures, which are presented within the financial review, are defined below:

Capital Expenditure (Capex): Comprises the spend (prior to tax allowances) on the acquisition of PP&E assets, the purchase of exploration and appraisal assets and decommissioning spend. Depicts how much the Group has spent on purchasing fixed assets in order to further its business goals and objectives. It is a useful indicator of the Group's organic expenditure on oil and gas assets, and exploration and appraisal assets, incurred during a period on a pre-tax basis.

£000	2023	2022
Purchase of PP&E Assets	68,588	16,298
Purchase of E&E Assets	9,673	80,801
Decommissioning Spend	896	1,218
Capital Expenditure	79,157	98,317

CFFO less current tax: Comprises Cash inflow from Operations adjusted by the tax charge for the year as reflected in Note 9 a). Serica considers that this is a useful measure of the cash generation of the business prior to the decisions made by the Group in relation to capital allocation.

£000	2023	2022
Cash inflow from operations	378,369	704,858
Less current tax	(183,331)	(277,695)
Adjusted CFFO less tax	195,038	427,163

EBITDAX: Earnings before interest, tax, depreciation and amortisation, impairments, transaction costs, unrealised hedging expenses, FX translation effects, asset revaluation effects, other noncash gains or expenses and exploration expenditure. This is a useful indicator of underlying business performance and the definition adopted by Serica is consistent with that stipulated in the Group's reserve based lending ("RBL") facility. A reconciliation from Operating Profit to EBITDAX is provided below:

£000	2023	2022
Operating profit	321,156	476,210
Add back transaction costs	10,085	1,785
Add back DD&A	109,198	76,887
Add back DD&A in G&A	173	–
Add back E&E expenses and licence costs	10,844	82,934
Deduct contract revenue – other	(23,904)	–
(Deduct) / add back unrealised hedging	(20,397)	(20,877)
Add back FX effects	3,591	(3,903)
Add back remeasurements	368	–
Add back share based payments	3,975	3,510
Deduct gain on acquisition	(34,048)	–
EBITDAX	381,041	616,546

Adjusted Net cash/(debt): Total cash and cash equivalents plus the balance of amounts of cash security temporarily lodged in respect of DSAs prior to the finalisation of the RBL recognised on the consolidated balance sheet less the drawn balance under RBL (net of the carrying value of unamortised fees). This is an indicator of the Group's indebtedness and contribution to capital structure.

£000	2023	2022
Interest bearing loans	(213,035)	–
Cash and cash equivalents	263,492	432,529
DSA cash	27,537	–
Adjusted Net cash/(debt)	77,994	432,529

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
DSA	Decommissioning Security Agreement
ESG	Environmental, Social and Governance
ETS	Emissions Trading Scheme
FDP	Field Development Plan
FPS	Forties Pipeline System
GRI	Global Reporting Index (framework for sustainability reporting)
HPHT	High pressure high temperature
LWIV	Light Weight Intervention Vessel
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
NBP	National Balancing Point
NGLs	Natural gas liquids extracted from gas streams
NTS	National Transmission System
OGA	Oil and Gas Authority
Overlift	Volumes of oil or NGLs sold in excess of volumes produced
Underlift	Volumes of oil or NGLs produced but not yet sold
P10	A high estimate that there should be at least a 10% probability that the quantities recovered will actually equal or exceed the estimate
P50	A best estimate that there should be at least a 50% probability that the quantities recovered will actually equal or exceed the estimate
P90	A low estimate that there should be at least a 90% probability that the quantities recovered will actually equal or exceed the estimate
Pigging	A process of pipeline cleaning and maintenance which involves the use of devices called pigs
Proved Reserves	Proved reserves are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves
Probable Reserves	Probable reserves are those additional Reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves
Possible Reserves	Possible reserves are those additional Reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves
Reserves	Estimates of discovered recoverable commercial hydrocarbon reserves calculated in accordance with the revised June 2018 Petroleum Resources Management System (PRMS) version 1.01
SASB	Sustainability accounting standards board
Tcf	trillion standard cubic feet
TCFD	Taskforce on Climate-related Financial Disclosures
UKCS	United Kingdom Continental Shelf
UNSDG	United Nations Sustainable Development Goals

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