SERICA ENERGY PLC

INTERIM 2019 REPORT TO SHAREHOLDERS

INTERIM REPORT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

The following Interim Report of the operations and financial results of Serica Energy plc ("Serica") and its subsidiaries (together the "Group") contains information up to and including 23 September 2019 and should be read in conjunction with the unaudited interim consolidated financial statements for the period ended 30 June 2019, which have been prepared by and are the responsibility of the Company's management.

References to the "Company" include Serica and its subsidiaries where relevant. Following the change in functional and presentational currency of the Group from US$ to Pounds Sterling ("£") all figures are reported in £ unless otherwise stated.

The results of Serica's operations detailed in the interim financial statements are presented in accordance with International Financial Reporting Standards ("IFRS").

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

Serica is an oil and gas company with production, development and exploration activities based in the UK and Namibia.

REVIEW OF OPERATIONS

UK Operations

UK Production

<u>Northern North Sea: Bruce Field – Blocks 9/8a, 9/9b and 9/9c, Serica 98%</u>

Serica completed the acquisition of the Bruce field on 30 November 2018 and took over as operator from BP. Serica now operates the field and facilities consisting of three bridge-linked platforms, wells, pipelines and subsea infrastructure. The platforms contain living quarters for up to 168 people, reception, compression, power generation, processing and export facilities and a drilling platform that is currently mothballed. There is also the subsea Western Area Development (WAD) that produces from the edges of the Bruce area. Serica is now responsible for actively maintaining, monitoring, repairing and optimising all equipment, wells and pipelines.

The Bruce field is produced through a combination of platform wells and subsea wells tied back to the platform, with over 20 producing wells in total producing from multiple reservoirs and compartments. Bruce production is predominantly gas which is rich in NGL's. Gas is exported through the Frigg pipeline to the St Fergus terminal, where it is separated into sales gas and NGL's. Oil is exported through the Forties Pipeline System to Grangemouth.

Bruce field production in 1H 2019 averaged in excess of 13,300 boe/d of exported oil and gas net to Serica. Production reliability was 91% with a planned outage scheduled around integrity testing of the Forties Pipeline System completed in August. The latest independent report of reserves by Ryder Scott estimated 2P reserves of 21.9 million boe net to Serica as of 1 January 2019.

Following last year's successful campaigns to repair three conductors (pipes connecting the wells from the seabed to the platform), four more sets of conductor clamps were installed in the August planned outage to protect against future well shut-ins. An additional diving campaign successfully reinstated a second umbilical to the WAD manifold increasing reliability from the subsea wells.

During 1H 2019 three key activities in understanding the future production potential of Bruce have been undertaken. A successful trial of lower pressures at the well heads to facilitate increased gas production, the recommissioning of the test separator on the compression platform which increases the ability to undertake well performance tests and a well by well evaluation building on the first two activities. The well by well review was designed to identify the production upsides achievable from the planned well intervention campaigns.

Challenging the previous methodologies of undertaking fabric maintenance on Bruce has increased the efficiency of work, delivering as much maintenance by the end of 1H as had been delivered in any previous 12-month period. By undertaking this maintenance, the risk of expensive repairs later is minimised.

Minimising production outages on the Bruce platform to deliver sustained production volumes through 1H 2019, combined with effective cost control, has made a key contribution to reducing Group average operating costs to US$12.30 per boe, down from an average of US$18 per boe for 2018.

<u>Northern North Sea: Keith Field – Block 9/8a, Serica 100%</u>
Keith is an oil field produced by one subsea well tied back to the Bruce facilities and requires very little maintenance. Keith produces at a relatively low rate providing a low-cost contribution to the oil export from Bruce. Average Keith production in 1H 2019 has

been 700 boe/d. The latest independent estimate of reserves by Ryder Scott estimated 2P reserves of 656,000 boe net to Serica as of 1 January 2019.

Northern North Sea: Rhum Field – Blocks 3/29a, Serica 50%

The Rhum field is a gas condensate field producing from two 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. Both wells are capable of producing at high gross rates, up to 15,000 boe/d each of gas in 2019. Rhum gas has a higher CO_2 content than Bruce gas and so is blended with Bruce gas before leaving the offshore facilities. The field has produced at a relatively constant rate and has not shown significant decline during the period. Average Rhum production in 1H 2019 was around 14,200 boe/d net to Serica.

As previously stated in the 2018 annual report, the R3 well requires intervention work before it can be brought on production. In 1H 2019, investigative work on the well was successfully carried out and the data incorporated into planning for the R3 intervention. Meanwhile, production from the R1 and R2 wells has continued at higher than anticipated levels meaning that the processing capacity currently available for additional production volumes from R3 is lower than expected. Economic analysis indicates that a deferral of R3 capital expenditures is beneficial and consequently execution of the R3 well work is now expected in late 2020 or early 2021.

The latest independent report of reserves by Ryder Scott estimated 2P reserves of 34.5 million boe net to Serica as of 1 January 2019.

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 Chevron 50% (operator) and Chrysaor Holdings Limited 32%. Erskine fluids are processed and exported via the Lomond platform, which is 100% owned and operated by Chrysaor.

The Erskine field is produced through five production wells over the Erskine normally unmanned platform, transported to Lomond via a multiphase pipeline and processed on the Lomond platform. Then condensate is exported down the Forties Pipeline System via the CATS riser platform at Everest and gas is exported via the CATS pipeline to the CATS terminal at Teeside.

Since the recommissioning of the condensate export pipeline in October 2018, Erskine production has been consistent and ahead of expectations.

In 1H 2019 production has averaged 3,008 boe/d net to Serica, ahead of the forecast production and in line with the strongest periods of performance since Serica acquired its interest in mid-2015.

Further works have been carried out on the Erskine production module on the Lomond platform to rectify a long-standing compressor seal issue which had been the second largest factor impacting on production after pipeline issues. The regular pigging program on the new line has continued and no indications of wax build-up have been seen.

An independent report performed by Netherland Sewell and Associates estimated Erskine 2P reserves of 5.7 million boe net to Serica as at 31 December 2018.

UK Development

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

Serica is Development Operator with partners Tailwind Mistral Limited (25%) and Endeavour Energy UK Limited (25%). Columbus is located in the Eastern Central Graben, UK Central North Sea and the reservoir is located within the Forties Sandstone. Columbus has been designated as a Development within the Lomond Field Area; it is however independent of Lomond, having separate development consent, export route and licence terms.

The development consists of a subsea well connected to a pipeline being constructed between the nearby Arran field and the Shearwater platform.

The Field Development Plan ("FDP") for the Columbus development was approved by the relevant Authorities in October 2018. The FDP provides for the supply of up to 40 million cubic feet of gas per day (gross) at peak to the UK gas market and 1,150 barrels per day (gross) of condensate and natural gas liquids ("NGLs").

The development plan includes a single subsea well connected to the Arran-Shearwater pipeline, through which Columbus production will be exported along with Arran field production. The Arran export pipeline was approved at a similar time to Columbus and development began immediately. When the production reaches the Shearwater platform facilities, it will be separated into gas and liquids and exported via the SEGAL line to St Fergus and Forties Pipeline System to Cruden Bay respectively. Columbus development timing will depend on the Arran-Shearwater pipeline being tied into the Shearwater platform in Q3 2020. Columbus start-up is expected during the first half of 2021.

Planning for the development began as soon as FDP approval was received. Since that time, Serica has worked closely with Shell, the Operator of the Arran field, to ensure effective construction and operation of the two developments. Serica has also undertaken a subsurface review so the best possible understanding of the reservoir can be obtained with the available data to optimize well placement and design. Well planning has begun and items with the longest lead times have been ordered. The project is on time and on budget.

A Competent Person's Report prepared by Netherland Sewell and Associates ascribed volumes with a reserves classification, following the FDP approval. 2P reserves net to Serica were assessed to be 6.7 mmboe as at 31 December 2018.

UK Exploration

Central North Sea: Rowallan Prospect - Block 22/19c, Serica 15%

In April 2019, the ENI UK-operated Rowallan exploration well 22/19c-7 reached a total depth of 4,641 metres and was plugged and abandoned. Serica was fully carried and paid no costs towards the drilling of the well which encountered a 182 metre section of sandstone and shale but was not found to be hydrocarbon bearing. This is thought to be due to a lack of sealing rock to form a hydrocarbon trap. The well was drilled on time and on budget.

The partnership reviewed the results of 22/19c-7 and determined that the remaining prospects identified on the block had similar seal risks and made the decision to relinquish the licence. The blocks to the south of Rowallan, 22/24g and 22/25f will also be relinquished.

Columbus West – Block 23/21b, Serica Energy (UK) Limited: 50% working interest, operator Summit Exploration and Production.

Seismic reprocessing has been completed over the Columbus West block and technical interpretation of the data is underway to identify a potential drilling target. There is a drill or drop decision to be made by the end of the initial term, October 2020.

Skerryvore and Ruvaal– Blocks 30/12c (part), 30/13c (split), 30/17h, 30/18c and 30/19c (part), Serica Energy (UK) Limited: 20% working interest, operator Parkmead.

The Skerryvore and Ruvaal prospects lie in the Central North Sea, 60km south of the Erskine field. Potential for both sandstone and chalk reservoirs has been identified. Over 500km^2 of 3D seismic data has been purchased over the licence areas. This will then be reprocessed and interpreted and a drill or drop decision made on the prospects by the end of the initial three-year term in September 2021.

Ireland

Frontier Exploration Licences 1/09, 4/13, 1/06 Serica 100%

After exploring in Ireland for over twelve years, Serica has made the decision to relinquish its three offshore licences. Although Serica intends to continue covering the full life cycle of exploration, development and production, Irish opportunities have been and are likely to continue to be much longer-term and the expense of maintaining the licences will be redirected to lower risk, nearer term opportunities in its core areas elsewhere.

The Rockall basin is underexplored frontier acreage and has not attracted the attention of major oil and gas companies. It is likely that in the future there will be exploration drilling that will lead to more discoveries but this is a number of years away and Serica prefers to focus on nearer term opportunities.

The Slyne basin is closer to infrastructure and offers a lower geological risk and lower development costs in the event of a discovery. However, despite extensive efforts to farm-out the opportunity, no partner has been identified and so Serica is relinquishing the licence.

Namibia

Luderitz Basin: Blocks 2512A, 2513A, 2513B and 2612A (part), Serica 85%

Serica is running an active farm-out process with an open data-room and a number of oil and gas companies are reviewing the opportunity to drill an exploration well on the licence. Recent drilling results offshore Namibia have strengthened the case for drilling the giant Prospect B, Serica's highest ranked prospect on the blocks. Evidence points towards a regional seal rock that would trap migrating hydrocarbons, thus benefitting deeper prospects. Prospect B lies below the seal rock and in close proximity to prognosed rich oil-generating source rocks, making it an ideally placed prospect.

FINANCIAL REVIEW

With effect from 1 January 2019, following the change in functional and presentational currency (see note 3), the Group's results are reported in £ with prior period comparative information converted from US$ and restated in £. This change follows completion of the major BKR acquisitions in late 2018 which brought significant additional volumes of UK gas for which sales are denominated in £ and costs which are settled almost entirely in £.

1H 2019 RESULTS

Serica generated a profit before taxation of £51.9 million for the first six months of 2019 ("1H 2019") compared to a loss before taxation of £7.9 million for the first six months of 2018 ("1H 2018") and a profit before taxation of £47.3 million for full year 2018. Comparisons with 1H and full year 2018 are significantly influenced by the shut-in of the Erskine field from mid-January 2018 to late-October 2018 and by completion of the BKR acquisitions on 30 November 2018.

Revenues and costs arising from the BKR acquisitions are included from 30 November 2018 onwards with no impact upon results for the first six months of 2018 apart from £3.5 million of transaction costs. Serica's share of net income from the BKR fields from the effective date of the acquisitions, 1 January 2018, until 30 November was deducted from the consideration paid at completion rather than included within the 2018 income statement. As total projected net cash flow sharing amounts were included within financial liabilities in the 31 December 2018 balance sheet, these do not form part of the current period income statement and cash payments are applied to reduce balance sheet liabilities. In addition, full year 2018 results included a bargain purchase gain of £41.5 million in respect of the BKR acquisition partially offset by expensed transaction and transition costs totalling £10.9 million.

Sales revenues

Total product sales volumes for 1H 2019 comprised approximately 255 million therms of gas, 892,000 lifted barrels of oil and 41,000 metric tonnes of NGLs equating to approximately 31,000 barrels of oil equivalent per day ("boe/d"). These generated total sales revenue of £146.4 million (1H 2018 – £3.3 million) with average realised prices of 36p per therm of gas, US$62.7 per barrel of oil and £277 per metric tonne of NGLs. This generated an average sales price of approximately US$34 per boe for the period.

Gross profit

Gross profit for 1H 2019 was £52.4 million compared to a loss of £1.9 million for 1H 2018. Overall cost of sales of £93.9 million compared to £5.2 million for 1H 2018. This comprised £53.2 million of operating costs (1H 2018 – £2.8 million) and £37.3 million of non-cash depletion charges (1H 2018 – £0.1 million) plus £3.4 million representing a reduction during the period of the opening liquids underlift position (1H 2018 – £2.3 million). Operating costs include costs of production, processing, transportation and insurance and averaged approximately US$12.30 per boe (£9.50) before non-cash depletion charges. This compares to approximately US$18 per boe for full year 2018 adjusted for comparative purposes to include the BKR assets from the effective date of 1 January 2018.

Non-cash depletion charges mainly comprise the booked acquisition values for the BKR and Erskine transactions allocated on a unit of production basis for the relevant period. The 1H 2018 calculation was based upon Erskine costs and production alone.

Operating profit before net finance revenue, tax and transaction costs

Operating profit for 1H 2019 was £52.5 million compared to a loss of £7.9 million for 1H 2018. Administrative expenses of £3.0 million increased from £1.0 million for 1H 2018 reflecting the significant increase in personnel and activity following completion of the BKR acquisitions in late 2018. These, plus share-based payments of £0.7 million (1H

2018 - £0.1 million), were offset by gains on US$ holdings of £0.6 million and net other income of £3.2 million comprising realised and unrealised commodity price hedging gains (1H 2018 – net hedging losses of £1.3 million).

Profit before taxation and profit for the period after taxation

Profit before taxation was £51.9 million (1H 2018 – loss of £7.9 million) after net finance charges of £0.6 million (1H 2018 - £nil). Net finance charges represent the discount unwind on decommissioning provisions and interest payable, mainly on the gas prepayment facility drawings, less interest earned on cash deposits.

Full year 2018 profit before taxation of £47.3 million included a bargain purchase gain of £41.5 million representing the difference between provisional fair valuations of assets acquired and consideration paid or potentially payable, calculated in accordance with applicable accounting standards.

The 1H 2019 taxation charge of £21.9 million (1H 2018 £1.8 million credit) solely comprises a non-cash deferred tax element. As the Company continues to benefit from accumulated losses carried forward from previous years it is not currently paying cash taxes. It is nonetheless required to make provision for deferred taxes in recognition of future periods when all losses have been utilised and cash payments will be made.

Overall, this generated a profit after taxation for the first six months of 2019 of £30.0 million compared to a loss after taxation of £6.1 million for 1H 2018 and a profit after taxation of £59.3 million for full year 2018.

BALANCE SHEET

Exploration and evaluation assets of £3.4 million showed a slight increase from £3.2 million at the end of 2018. Costs of the 1H 2019 Rowallan exploration well were fully carried by third parties with no cost to Serica. Otherwise there were minimal exploration activities during the period.

Property, plant and equipment principally comprises the fair value of the BKR assets calculated in accordance with applicable accounting standards. The initial calculation was carried out at completion of the acquisitions and remains provisional for the twelve months following the date of acquisition. Total property, plant and equipment decreased from £373.7 million at year end 2018 to £337.8 million at 30 June 2019 after additions during 1H 2019 of £1.5 million and depletion charges for 1H 2019 of £37.3 million. Such charges represent the allocation of field capital costs, primarily acquisition costs, over the estimated producing life of each field.

An inventories balance of £5.8 million at 30 June 2019 showed little change from £5.6 million at the end of 2018. A reduction in trade and other receivables from £52.1 million at the end of 2018 to £39.1 million at 30 June 2019 reflected the recovery during 1H 2019 of BKR transaction receivables, a reduction in liquids underlift balances, and also the outstanding period end balances from monthly gas sales reflecting lower summer pricing. An increase in the derivative financial asset from £0.1 million at year end 2018 to £2.6 million at 30 June 2019 arose from a revaluation of outstanding commodity price hedges due to a fall in future gas price projections.

The 30 June 2019 cash and cash equivalent balances plus term deposits totalled £88.2 million (31 December 2018 – £43.1 million).

Current trade and other payables reduced to £27.8 million at 30 June 2019 from a balance of £38.6 million in 2018 which included a higher level of amounts outstanding at year end following the recent completion of the BKR Transactions. Current provisions of £1.8 million (31 December 2018 – £1.8 million) represent certain contingent liabilities related to savings in field operating costs that may fall due under the Erskine acquisition agreement.

Financial liabilities of £79.3 million (31 December 2018 – £90.3 million) included within current liabilities and £132.4 million (31 December 2018 – £164.5 million) included within non-current liabilities comprise total amounts projected to be paid under the BKR agreements. The current element comprises amounts outstanding under the gas prepayment facility which is expected to be fully repaid by end Q1 2020, amounts estimated to fall due under the net cash flow sharing arrangements over the next twelve months and further fixed amounts also due over the next twelve months. Amounts identified as currently due under both the gas prepayment facility and the net cash flow sharing arrangements, are directly related to production volumes and sales prices actually achieved over the next twelve months. The non-current element comprises further contingent and deferred amounts the bulk of which are also directly related to future asset production volumes and sales price performance. The overall reduction in financial liabilities of £43.1 million during 1H 2019 represents payments of £41.5 million made out of net cash flow during 1H 2019 and repayments of £2.0 million under the gas prepayment facility partially offset by interest payable on drawn facility amounts.

Non-current provisions of £22.9 million (31 December 2018 – £22.6 million) have been made in respect of decommissioning liabilities for the Bruce and Keith interests acquired from Marubeni. These were not subject to the same contingent and deferred consideration arrangements as those field interests acquired from BP, Total E&P and BHP respectively under which decommissioning liabilities were retained by the vendors with Serica liable to pay deferred consideration equivalent to 30% of the actual costs of decommissioning net of tax recovered by them. No provision is included for decommissioning liabilities related to Erskine as these are retained by BP up to a cap which is not projected to be exceeded.

The deferred tax liability of £42.2 million at 30 June 2019 has increased from £20.3 million at year end 2018 reflecting provisions against future tax charges expected once the Group's tax losses have been fully utilised.

Overall net assets have increased from £139.6 million at year end 2018 to £170.3 million at 30 June 2019.

The increase in other reserves from £16.7 million at year end 2018 to £17.4 million at 30 June 2019 arose from share-based payments.

CASH BALANCES AND FUTURE COMMITMENTS

Current cash position and price hedging

At 30 June 2019 the Group held cash and cash equivalents of £84.2 million (31 December 2018 – £42.1 million) plus term deposits of £3.9 million (31 December 2018 – £1.0 million), an increase in combined cash and deposits in excess of 100% during 1H 2019. The main element of the increase was Serica's retained share of the strong net operating cash flows from the Company's producing interests. These amounts are net of monthly payments to BP, Total E&P and BHP respectively, of one half of net operating cash flows derived from the Bruce Keith and Rhum interests acquired from those companies. Amounts due under the net cash flow sharing arrangements fall to 40% for 2020 and 2021 and zero thereafter.

Other significant cash movements during the period included a £2.0 million repayment of the gas prepayment facility and £1.5 million spent on property, plant and equipment including the Columbus development project. Serica's share of BKR post-tax income for the eleven months of 2018 prior to completion was included within the cash inflow from business combinations in the cash flow statement.

At 30 June 2019 Serica held gas price puts covering volumes of 240,000 therms per day for 2H 2019 and 160,000 therms per day for 1H 2020 all at a floor price of 35 p/therm with no upside price restrictions.

Field and other capital commitments

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

There are no significant current capital commitments on the BKR producing fields though planning is in progress for a Rhum R3 well workover programme, expected to be carried out in late 2020 or early 2021. Potential further programmes to enhance current production profiles and extend field life are under consideration. Net revenues from Serica's share of income from the BKR fields, after net cash flow sharing payments, is expected to cover Serica's retained share of ongoing field expenditures as well as other contingent or deferred consideration due under the respective BKR acquisition agreements set out below.

The Group has no significant exploration commitments.

BKR asset acquisitions

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

- 36% in Bruce, 34.83333% in Keith and 50% in Rhum plus operatorship of each field from BP Exploration Operating Company Limited ("BP"). Initial consideration, paid at completion, was £12.8 million with contingent payments of £16 million due in relation to the outcome of future work on the Rhum R3 well and up to a total £23.1 million, split equally over the years 2019, 2020 and 2021, due in relation to Rhum field performance and sales prices in respect of the three years. In addition, Serica will pay contingent consideration related to net cash flows from the assets acquired from BP as set out below. As part of the gas sales arrangements, BP Gas Marketing Limited provided a gas prepayment facility of £16 million that was fully drawn to cover the cost of gas price puts and the initial consideration. Amounts due to BP are secured over the interests in the assets acquired from them.

- 42.25% in Bruce and 25% in Keith from Total E&P UK Limited ("Total E&P"). Initial consideration was US$5 million with three further instalments of deferred consideration of US$5 million each, falling due on 31 July 2019 (now paid), 31 March 2020 and 30 November 2020. Serica will also pay contingent consideration related to net cash flows from the assets acquired from Total E&P as set out below.

- 16% in Bruce and 31.83333% in Keith from BHP Billiton Petroleum Great Britain Limited ("BHP"). Initial consideration was £1 million. Serica will also pay contingent consideration related to net cash flows from the assets acquired from BHP as set out below.

- 3.75% in Bruce and 8.33334% in Keith from Marubeni Oil and Gas (UK) Limited ("Marubeni"). Initial consideration was US$1 million payable to Serica with no contingent or deferred consideration.

In addition, Serica will pay contingent cash consideration to BP, Total E&P and BHP calculated as a percentage (60% in 2018, 50% in 2019 and 40% in each of 2020 and 2021) of net cash flows resulting from the respective field interests acquired. Amounts arising from the effective date of 1 January 2018 up to completion were adjusted for notional tax at prevailing rates and offset against initial consideration. Amounts arising after completion are paid by Serica pre-tax with such amounts to be offset by Serica against its own tax liabilities.

Each of 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 contingent 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.

In the case of the Marubeni acquisition, Serica took on responsibility for decommissioning liabilities for these interests but without any contingent or deferred cash consideration.

Net cash flow sharing with BP, Total E&P and BHP is settled monthly in arrears with no payments due unless positive net cash flow is generated. Any negative amounts can be offset against positive amounts previously paid during a calendar year and any accumulated negative amounts carried forward from one year can be offset against positive amounts generated in future years up to 2021. No other contingent or deferred consideration payments had fallen due at 30 June 2019 although the second tranche of US$5 million was paid to Total E&P in August 2019 and the gas prepayment facility with BP is being paid monthly out of BKR gas revenues starting in June 2019.

Additional Information

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

Approved on behalf of the Board
Mitch Flegg
Chief Executive Officer

23 September 2019

Forward Looking Statements

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

Serica Energy plc

Group Income Statement

For the period ended 30 June

Continuing operations	*Notes*	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000 *restated	Year ended 31 Dec 2018 £000 *restated
Sales revenue	5	146,375	3,304	35,708
Cost of sales	6	(93,941)	(5,247)	(15,690)
Gross profit/(loss)		52,434	(1,943)	20,018
Other income/(expense)		3,230	(1,339)	(1,554)
Pre-licence costs		(98)	(30)	(217)
Impairment and write-off of E&E assets	7	(9)	-	2,450
Administrative expenses		(2,992)	(1,021)	(3,644)
Foreign exchange gain/(loss)		591	(32)	118
Share-based payments		(650)	(106)	(367)
BKR transition costs		-	(3,478)	(8,814)
Operating profit/(loss) from continuing operations		52,506	(7,949)	7,990
Bargain purchase gain on BKR acquisitions		-	-	41,474
BKR transaction costs		-	-	(2,102)
Finance revenue		122	129	201
Finance costs		(698)	(102)	(282)
Profit/(loss) before taxation		51,930	(7,922)	47,281
Taxation (charge)/credit for the period	11	(21,883)	1,825	12,005
Profit/(loss) after taxation and profit/(loss) for the period		30,047	(6,097)	59,286

Earnings per ordinary share (EPS)			
Basic EPS on profit/(loss) for the period (£)	0.11	(0.02)	0.22
Diluted EPS on profit/(loss) for the period (£)	0.11	(0.02)	0.22

*restated from US$ to £ following change of functional and presentational currency – see note 3

Serica Energy plc
Group Balance Sheet

	Notes	30 June 2019 £000	31 Dec 2018 £000 *restated	30 June 2018 £000 *restated
Non-current assets				
Exploration & evaluation assets	7	3,367	3,183	41,208
Property, plant and equipment	8	337,825	373,721	7,221
Deferred tax asset		-	-	14,178
		341,192	376,904	62,607
Current assets				
Inventories		5,763	5,553	315
Trade and other receivables		39,059	52,125	4,376
Derivative financial asset		2,616	138	387
Term deposits		3,940	1,000	2,000
Cash and cash equivalents		84,229	42,103	13,917
		135,607	100,919	20,995
TOTAL ASSETS		476,799	477,823	83,602
Current liabilities				
Trade and other payables		(27,843)	(38,616)	(7,198)
Financial liabilities		(79,269)	(90,307)	-
Provisions		(1,848)	(1,848)	(2,037)
Non-current liabilities				
Financial liabilities		(132,411)	(164,488)	(2,960)
Provisions		(22,903)	(22,647)	-
Deferred tax liability		(42,194)	(20,311)	-
TOTAL LIABILITIES		(306,468)	(338,217)	(12,195)
NET ASSETS		170,331	139,606	71,407
Share capital	9	180,322	180,294	173,860
Other reserves		17,374	16,724	15,875
Accumulated deficit		(27,365)	(57,412)	(118,328)
TOTAL EQUITY		170,331	139,606	71,407

*restated from US$ to £ following change of functional and presentational currency – see note 3

Serica Energy plc
Group Statement of Changes in Equity

For the year ended 31 December 2018 and period ended 30 June 2019

Group

	Share capital £000 *restated	Other reserves £000 *restated	Deficit £000 *restated	Total £000 *restated
At 1 January 2018	169,984	15,428	(109,581)	75,831
Translation effect *	10,102	929	(7,117)	3,914
Profit for the period	-	-	59,286	59,286
Total comprehensive income	-	-	59,286	59,286
Issue of shares	208	-	-	208
Share-based payments	-	367	-	367
At 31 December 2018	180,294	16,724	(57,412)	139,606
Profit for the period	-	-	30,047	30,047
Total comprehensive income	-	-	30,047	30,047
Issue of shares	28	-	-	28
Share-based payments	-	650	-	650
At 30 June 2019	180,322	17,374	(27,365)	170,331

* As described in Note 3, the presentation currency for the Group has been changed to £ from 1 January 2019, with retrospective effect on comparative figures. Equity per 1 January 2018 has been translated to £ using the £/US$ closing rate applicable for the same date. As a result, a translation effect occurs for each component of equity. The translation effect related to share capital, other reserve and accumulated deficit is shown as a separate item in the statement of change in equity for 2018.

Serica Energy plc
Group Cash Flow Statement
For the period ended 30 June

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000 *restated	Year ended 31 Dec 2018 £000 *restated
Operating activities:			
Profit/(loss) for the period	30,047	(6,097)	59,286
Adjustments to reconcile profit/(loss) for the period to net cash flow from operating activities			
Taxation charge/(credit)	21,883	(1,825)	(12,005)
BKR transaction costs	-	3,478	10,916
Bargain purchase gain on BKR	-	-	(41,474)
Net finance costs/(income)	576	(27)	81
Depletion and amortisation	37,333	63	6,153
Oil and NGL over/underlift movement	3,370	2,349	(3,609)
Impairment and write-offs of E&E assets	9	-	(2,450)
Unrealised and realised hedging (gains)/losses	(2,478)	1,569	1,827
Share-based payments	650	106	367
Other non-cash movements	(591)	32	(118)
Cash outflow on BKR transaction	-	(2,639)	(12,796)
Decrease/(increase) in receivables	9,731	(2,546)	(36,564)
(Increase)/decrease in inventories	(210)	27	25
(Decrease)/increase in payables	(10,544)	223	20,448
Net cash in/(out)flow from operations	89,776	(5,287)	(9,913)
Investing activities:			
Interest received	122	129	201
Purchase of E&E assets	(193)	(722)	(1,351)
Purchase of P,P&E	(1,472)	(1,440)	(4,220)
Cash (out)/inflow from business combinations	(41,481)	-	22,238
Cash outflow arising on asset acquisition	-	(2,102)	(2,102)
Changes in term deposits	(2,940)	2,224	3,224
Net cash (out)/inflow from investing activities	(45,964)	(1,911)	17,990
Financing activities:			
Issue of ordinary shares	28	172	208
(Repayments)/proceeds (of)/from borrowings	(2,040)	-	12,800
Finance costs paid	(27)	(185)	(193)
Net cash (out)/inflow from financing activities	(2,039)	(13)	12,815
Cash and cash equivalents			
Net increase/(decrease) in period	41,773	(7,211)	20,892
Effect of exchange rates on cash and cash equivalents	353	167	250
Amount at start of period	42,103	20,961	20,961
Amount at end of period	84,229	13,917	42,103

*restated from US$ to £ following change of functional and presentational currency – see note 3

Serica Energy plc

Notes to the Unaudited Consolidated Financial Statements

1. Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 23 September 2019.

Serica Energy plc is a public limited company incorporated and domiciled in England & Wales. The Company's ordinary shares are traded on AIM in London. The principal activity of the Company is to identify, acquire and exploit oil and gas reserves.

2. Basis of preparation and accounting policies

Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Except as described below and the change in functional and presentational currency from US$ to £ (see note 3), these unaudited interim consolidated financial statements of the Group have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended 31 December 2018. These unaudited interim consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the consolidated financial statements and the notes thereto in the Serica Energy plc annual report for the year ended 31 December 2018.

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006.

Consolidated statutory accounts for the year ended 31 December 2018, on which the auditors gave an unqualified audit report, have been filed with the registrar of Companies. The report of the auditors included in that 2018 Annual Report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

Going Concern

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

At 30 June 2019 the Company held cash and term deposits of £88.2 million. The bulk of contingent and deferred consideration due under the BKR acquisition agreements is related to successful future field performance and consequently will be either reduced or deferred in the event of production interruptions or lower net cash generation.

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

Significant accounting policies

A number of new standards (including IFRS 16 – Leases), amendments to existing standards and interpretations were applicable from 1 January 2019. The adoption of these amendments did not have a material impact on the Group's interim condensed consolidated financial statements for the period ended 30 June 2019.

Other than described above and the change in functional and presentational currency from US$ to £ (see note 3 below), the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018. The impact of seasonality or cyclicality on operations is not considered significant on the interim consolidated financial statements.

The Group financial statements are presented in £ and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

Basis of Consolidation

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

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

3. Change in functional and presentational currency

An entity's functional currency is the currency of the primary economic environment in which the entity operates and in which all transactions should be recorded. In light of the recent developments within the Group's operations following completion of the BKR acquisitions on 30 November 2018, the directors have reassessed the functional currency of both the Company and the Group's main operating subsidiary, Serica Energy (UK) Limited, and concluded that the functional currency of these entities is now pounds sterling ("£"). The directors further concluded that the currency in which the Group's financial results are reported, the presentational currency, should also be changed to £.

The BKR acquisitions have brought a significant increase in scale to the business with a majority of revenues now earned from gas sales which realise revenue in £, and most of the operator expenditure running the BKR assets is also denominated in £. The date of change in functional currency from US$ to £ is 30 November 2018. However, given that the impact between a change on 30 November 2018 compared to 1 January 2019 is considered to be immaterial the change has been made effective on 1 January 2019. Consequently, the Group 2019 Interim Financial Statements are presented in £ and future Group and Company financial statements, starting with those for 2019, will also be presented in £. The change in presentational currency from US$ to £ represents a voluntary change in accounting policy and is applied retrospectively with 2018 comparatives restated.

The presentation currency for the Group has been changed to £ from 1 January 2019, with retrospective effect on comparative figures. Assets and liabilities have been translated into £ at closing rates of exchange on the relevant balance sheet date, whilst income and expenditure items were translated at rates of exchange prevailing at the relevant time of the transaction. Share capital and other reserves have been translated at the closing rates of exchange on the relevant balance sheet date. Equity per 1 January 2018 has been translated to £ using the £/US$ closing rate applicable for the same date. As a result, a translation effect occurs for each component of equity. The translation effect related to share capital, other reserve and accumulated deficit is shown as a separate item in the statement of change in equity for 2018.

4. Segmental Information

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

The following tables present revenue, profit and certain asset and liability information regarding the Group's geographical reportable segments for the periods ended 30 June 2019 and 2018. Costs associated with the UK corporate centre are included in the UK & Ireland reportable segment.

Period ended 30 June 2019	UK & Ireland £000	Africa £000	Continuing Total £000
Revenue	146,375	-	146,375
Operating and segment profit	52,506	-	52,506
Finance revenue	122	-	122
Finance costs	(698)	-	(698)
Profit before taxation	51,930	-	51,930
Taxation charge for the period	(21,883)	-	(21,883)
Profit after taxation	30,047	-	30,047

	UK & Ireland £000	Africa £000	Total £000
Other segment information:			
Segmental assets	473,609	3,190	476,799
Total assets			476,799
Segment liabilities	(306,327)	(141)	(306,468)
Total liabilities			(306,468)

Period ended 30 June 2018	UK & Ireland £000 *restated	Africa £000 *restated	Continuing Total £000 *restated
Revenue	3,304	-	3,304
Operating and segment loss	(7,949)	-	(7,949)
Finance revenue	129	-	129
Finance costs	(102)	-	(102)
Loss before taxation	(7,922)	-	(7,922)
Taxation credit for the period	1,825	-	1,825
Loss after taxation	(6,097)	-	(6,097)

	UK & Ireland £000 *restated	Africa £000 *restated	Total £000 *restated
Other segment information:			
Segmental assets	80,703	2,899	83,602
Total assets			83,602
Segment liabilities	(12,112)	(83)	(12,195)
Total liabilities			(12,195)

Year ended 31 December 2018	UK & Ireland £000 *restated	Africa £000 *restated	Continuing Total £000 *restated
Revenue	35,708	-	35,708
Operating and segment profit	7,990	-	7,990
Bargain purchase gain on BKR	41,474		41,474
BKR transaction costs	(2,102)	-	(2,102)
Finance revenue	201	-	201
Finance costs	(282)	-	(282)
Profit before taxation	47,281	-	47,281
Taxation credit for the year	12,005	-	12,005
Profit after taxation	59,286	-	59,286

	UK & Ireland £000 *restated	Africa £000 *restated	Total £000 *restated
Other segment information:			
Segmental assets	474,714	3,109	477,823
Total assets			477,823
Segment liabilities	(338,106)	(111)	(338,217)
Total liabilities			(338,217)

*restated from US$ to £ following change of functional and presentational currency – see note 3

5. Sales Revenue

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000 *restated	Year ended 31 Dec 2018 £000 *restated
Gas sales	91,882	401	28,137
Oil sales	43,163	2,851	4,877
NGL sales	11,330	52	2,694
	146,375	3,304	35,708

*restated from US$ to £ following change of functional and presentational currency – see note 3

Revenues include product sales from Serica's full interests in the BKR assets before calculation of amounts due under the net cash flow sharing arrangements.

6. Cost of sales

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000 *restated	Year ended 31 Dec 2018 £000 *restated
Operating costs	53,238	2,835	13,146
Movement in liquids overlift/underlift	3,370	2,349	(3,609)
Depletion (note 8)	37,333	63	6,153
	93,941	5,247	15,690

*restated from US$ to £ following change of functional and presentational currency – see note 3

Operating costs include costs from Serica's full interests in the BKR assets before calculation of amounts due under the net cash flow sharing arrangements.

7. Exploration and Evaluation Assets

	Total £000 *restated
Cost:	
At 1 January 2018	48,905
*Translation effect	2,971
Additions	1,351
Asset write-offs	(7,416)
Transfer to property, plant and equipment	(42,628)
At 31 December 2018	3,183
Additions	193
Asset write-offs	(9)
At 30 June 2018	3,367
Provision for impairment:	
At 1 January 2018	(9,313)
*Translation effect	(553)
Impairment reversal for the period	9,866
At 31 December 2018	-
Impairment (charge)/reversal for the period	-
At 30 June 2019	-
Net Book Amount:	
30 June 2019	3,367
31 December 2018	3,183
1 January 2018	39,592

*restated from US$ to £ following change of functional and presentational currency – see note 3

The impairment reversal net of write-off charges against E&E assets in 2018 was a credit of £2.5 million.

This comprised an impairment reversal of £9.9 million in respect of the Group's Columbus asset in the UK North Sea partially offset by asset write-off charges against the Group's Irish assets consisting of the Slyne 1/06 Licence (£2.7 million) and Rockall 1/09 and 4/13 Licences (£4.7 million).

The full impairment reversal recorded against the Columbus asset book amount in 2018 arose from revised economic evaluations and operational developments in the project. The recoverable post-tax amount for the Columbus asset was determined on a fair value less costs to sell basis ('FVLCS') using a discounted cash flow model which exceeded the Columbus book cost of £42.7 million.

Serica submitted a Field Development Plan to the OGA in June 2018 and was granted development and production consent in October 2018. Now that the development is proceeding, Columbus resources have been re-classified as reserves and the book costs previously recorded as Exploration and Evaluation assets have been reclassified as Oil and Gas assets within Property, Plant and Equipment.

8. Property Plant and Equipment

	Oil and gas properties £000 *restated	Fixtures and fittings £000 *restated	Total £000 *restated
Cost:			
At 1 January 2018	8,869	-	8,869
*Translation effect	1,442	-	1,442
Additions/revisions	3,752	212	3,964
Acquisitions	326,342	-	326,342
Transfers	42,628	-	42,628
At 31 December 2018	383,033	212	383,245
Additions	1,472	-	1,472
At 30 June 2019	384,505	212	384,717
Depreciation and depletion:			
At 1 January 2018	3,206	-	3,206
*Translation effect	165	-	165
Charge for the period (note 6)	6,153	-	6,153
At 31 December 2018	9,524	-	9,524
Charge for the period (note 6)	37,333	35	37,368
At 30 June 2019	46,857	35	46,892
Net book amount:			
At 30 June 2019	337,648	177	337,825
At 31 December 2018	373,509	212	373,721
At 1 January 2018	5,663	-	5,663

*restated from US$ to £ following change of functional and presentational currency – see note 3

BKR asset acquisitions

On 30 November 2018 the Group acquired interests in the Bruce, Keith and Rhum fields resulting in an acquisition of assets at a value of £326.3 million allocated to property, plant and equipment. Depletion charges in 2018 and 1H 2019 on the assessed book amount for the BKR assets have been calculated on a unit of production basis based on management's assessment of proven and probable reserves reflecting risks applicable to the assets acquired.

Columbus
Following the approval of the FDP for Columbus and decision for the project to proceed the associated net book cost has been transferred from E&E assets to property, plant and equipment.

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

9. Equity Share Capital

As at 30 June 2019, the share capital of the Company comprised one "A" share of £50,000 and 265,101,699 ordinary shares of US$0.10 each. The "A" share has no special rights.

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

Allotted, issued and fully paid: **Group**	Number	Share capital *restated	Share Premium £000 *restated	Total Share capital £000 *restated
At 1 January 2018	263,679,040	19,613	150,371	169,984
*Translation effect		1,168	8,934	10,102
Shares issued	1,078,780	81	127	208
At 31 December 2018	264,757,820	20,862	159,432	180,294
Shares issued	343,880	28	-	28
At 30 June 2019	265,101,700	20,890	159,432	180,322

*restated from US$ to £ following change of functional and presentational currency – see note 3

In August 2019 1,607,500 ordinary shares were issued following the exercise of share options. As at 20 September 2019 the issued voting share capital of the Company is 266,794,902 ordinary shares and one "A" share.

10. 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 30 June 2019, 6,465,550 options granted by the Company under the Serica 2005 Option Plan were outstanding. All options awarded under the Serica 2005 Option Plan since November 2009 have a three-year vesting period. When awarding options to directors, the Remuneration Committee are required to set Performance Conditions in addition to the vesting provisions before vesting can take place. Of the above options, 2,500,000 of these options were granted to Mr Craven Walker in July 2015 at exercise prices higher than the market price at the time of the grant to establish firm performance targets.

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

Serica 2005 Option Plan		**WAEP**
		£
Outstanding at 1 January 2018	8,196,330	0.28
Exercised during the year	(1,078,780)	0.24
Expired during the period	(652,000)	(1.036)
Outstanding at 31 December 2018 and 30 June 2019	6,465,550	0.25

As at 30 June 2019, the following director and employee share options were outstanding:

Expiry Date	Amount	Exercise cost £
January 2020	1,030,000	785,400
April 2021	50,000	15,685
January 2022	885,550	189,286
October 2022	400,000	116,000
January 2023	200,000	81,750
January 2024	300,000	58,500

June 2025	1,100,000	99,000
July 2025	1,000,000	120,000
July 2025	1,000,000	180,000
July 2025	500,000	120,000
Total	6,465,550	

In August 2019, 1,607,500 share options under the Serica 2005 Option Plan were exercised.

No options were granted in 2018 or 2019 under the Serica 2005 Option Plan.

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 Directors' options subject to certain market conditions) to estimate the fair value of share options at the date of grant. There are no cash settlement alternatives. The estimated fair value of options is amortised to expense over the options' vesting period.

£650,000 has been charged to the income statement for the six-month period ended 30 June 2019 (1H 2018 – £106,000) and a similar amount credited to the share-based payments reserve, classified as 'Other reserve' in the Balance Sheet.

Long Term Incentive Plan
The following awards have been granted to certain Directors and employees under the LTIP, these were deemed to be granted in November 2017 under IFRS 2.

Director/Employees	**Total number of shares granted subject to Deferred Bonus Share Awards**
Antony Craven Walker	225,000
Mitch Flegg	225,000
Employees below Board level (in aggregate)	575,000
	1,025,000

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

Director/Employees	**Total number of shares granted subject to Performance Share Awards**
Antony Craven Walker	1,500,000
Mitch Flegg	1,500,000
Employees below Board level (in aggregate)	2,250,000
	5,250,000

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

LTIP awards in 2019

In March 2019, the Company granted nil-cost options over a total of 3,784,765 ordinary shares under the LTIP. The award was made to members of the Group's executive team, senior management and employees. The awards included a total of 822,134 ordinary shares for the executive directors and persons discharging managerial responsibilities as follows:

Director/PDMR	**Total number of shares granted subject to Performance Share Awards**
Antony Craven Walker	411,067
Mitch Flegg	411,067
	822,134

These awards are subject to vesting criteria based on absolute share price performance over a three-year period.

11. Taxation

The major components of income tax (charged)/credited in the consolidated income statement are:

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000 *restated	Year ended 31 Dec 2018 £000 *restated
Current income tax charge	-	-	-
Deferred income tax (charge)/credit	(21,883)	1,825	12,005
Total taxation (charge)/credit for the period	(21,883)	1,825	12,005

*restated from US$ to £ following change of functional and presentational currency – see note 3

Recognised and unrecognised tax losses

The Group's Balance Sheet net deferred tax liability amounts of £20.3 million as at 31 December 2018 and £42.2 million as at 30 June 2019 arise from deferred tax liabilities (primarily related to temporary differences on fixed assets) being partially offset by deferred tax assets on existing tax losses, deductibles under the Net Cash Flow Sharing Deed and decommissioning liabilities.

The Group's deferred tax assets at 31 December 2018 and 30 June 2019 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 2018 and 30 June 2019 with respect to ring fence losses and allowances.

The Group has UK ring fence tax losses of approximately US$139.3 million (£109.4 million) available as at 31 December 2018 that are available indefinitely for offset against future ring fence trading profits of the company in which the losses arose.

Changes to UK corporation tax legislation

In March 2016 it was announced that the rate of Supplementary charge (SC) would be reduced from 20% to 10% with effect from 1 January 2016. This was substantively enacted on 6 September 2016 and reduced the headline rate of tax to 40% for UK ring-fenced trading profits.

12. Financial and derivative financial instruments

Financial instruments

The Group's financial instruments comprise cash and cash equivalents, bank loans and borrowings, accounts payable and accounts receivable. It is management's opinion that the fair value of its financial instruments approximate to their carrying values.

Derivative financial instruments

The Group enters into derivative financial instruments with various counterparties. The gas put option commodity contract with BP (fair value hierarchy level 2) is measured based on a consensus of mid-market values from third party providers based on the Black Scholes model with inputs of observable spot commodities price, interest rates and the volatility of the commodity.

13. Publication of Non-Statutory Accounts

The financial information contained in this interim statement does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2018, which are available at the Company's registered office at 48 George Street, London W1U 7DY and on its website at www.serica-energy.com and on SEDAR at www.sedar.com.

This interim statement will be made available at the Company's registered office at 48 George Street, London W1U 7DY and on its website at www.serica-energy.com and on SEDAR at www.sedar.com.

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 Assets	Bruce, Keith and Rhum fields
CPR	Competent Persons Report
FDP	Field Development Plan
HPHT	High pressure high temperature
mscf	thousand standard cubic feet
mmbbl	million barrels
mmboe	million barrels of oil equivalent
mmscf	million standard cubic feet
mmscfd	million standard cubic feet per day
NGLs	Natural gas liquids extracted from gas streams
NTS	National Transmission System
OGA	Oil and Gas Authority
Overlift	Volumes of oil or NGLs sold in excess of volumes produced
Underlift	Volumes of oil or NGLs produced but not yet sold
P10	A high estimate that there should be at least a 10% probability that the quantities recovered will actually equal or exceed the estimate
P50	A best estimate that there should be at least a 50% probability that the quantities recovered will actually equal or exceed the estimate
P90	A low estimate that there should be at least a 90% probability that the quantities recovered will actually equal or exceed the estimate
Pigging	A process of pipeline cleaning and maintenance which involves the use of devices called pigs
Proved Reserves	Proved reserves are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves
Probable Reserves	Probable reserves are those additional Reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves
Possible Reserves	Possible reserves are those additional Reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves
Reserves	Estimates of discovered recoverable commercial hydrocarbon reserves calculated in accordance with the Canadian National Instrument 51-101
Contingent Resources	Estimates of discovered recoverable hydrocarbon resources for which commercial production is not yet assured, calculated in accordance with the Canadian National Instrument 51-101
Prospective Resources	Estimates of the potential recoverable hydrocarbon resources attributable to undrilled prospects, calculated in accordance with the Canadian National Instrument 51-101
Tcf	trillion standard cubic feet
UKCS	United Kingdom Continental Shelf