SERICA ENERGY PLC

2013

ANNUAL REPORT AND ACCOUNTS

Company Number: 5450950

CHAIRMAN'S STATEMENT

Dear Shareholder

I am pleased to report that the Company made good progress during 2013 to advance its exploration programme, both in the UK and overseas. We now have an enviable portfolio of rapidly maturing and ready to drill prospects, some of which are already farmed-out, providing shareholders with exposure to material upside, both near and longer term, at very little cost. An independent report undertaken by Netherland Sewell and Associates has confirmed the range and potential of the Company's prospect inventory and more details are provided in the Chief Operating Officer's Review. The report also includes the year-end audit of reserves and confirms the Columbus reserves at 15.5 mmboe, 5.2 mmboe net to Serica's interest. Work has continued in our efforts to find alternative arrangements for Columbus production.

Towards the year end, we were able to complete a capital financing in difficult market conditions to place us in a healthy financial position to take us forward. I am pleased with the result and am delighted with the support that we received from shareholders to make this financing so successful.

The Company's main challenge going forward is to secure an export route for Columbus and no effort is being spared by the Board to this end. We have striven hard to achieve this objective and have been in continual discussions with the Lomond field operator throughout the past few months but we have yet to reach a satisfactory conclusion. As I have said previously there are no technical impediments to connecting Columbus to the adjacent Lomond platform. We have, nevertheless, extended discussions to other operators who can also take the gas and liquids. I give further commentary below but we will report back to shareholders as soon as we have demonstrable progress.

UK Exploration and Norway

Our UK exploration programme has seen material progress. During the year we reached agreement with Centrica which will see a well drilled on our Doyle prospect in the East Irish Sea at limited cost to Serica. Centrica are meeting the costs of our retained 20% interest up to a gross well expenditure of £11 million and they have confirmed that the well will be drilled as part of their forward programme with spud now likely early next year. With the prospect lying close to the Morecambe Bay production facilities, also operated by Centrica, it is expected that any discovery would see early development.

Progress towards drilling on Block 22/19c, located just to the west of Columbus, is encouraging. Our partner, JX Nippon, has confirmed that it has reached agreement under which ENI will be joining the group. The block contains two large high-pressure, high-temperature ("HPHT") prospects. The prospective resources independently attributed to these two prospects are considerable. Under an earlier farm-out agreement with JX Nippon, Serica will be fully carried for its 15% share of the cost of drilling a well, providing shareholders with exposure to significant potential at no cost. In addition, the Government has announced that it will introduce specific tax changes to encourage development of HPHT fields. Serica is well placed to benefit from these changes.

In the Southern gas basin, our work programme to shoot a 3D seismic survey in the blocks adjacent to the producing York field has been completed and the data has now been fully processed and is being interpreted. Serica has a 37.5% interest in these blocks and we are expecting results to show additional gas accumulations and support a drilling programme.

In short, in addition to Columbus, Serica is involved in three active gas-focussed exploration projects in the UK, each of which has clearly defined potential and in two of which it is carried by third parties. With the current tight gas supply and security uncertainties we believe that gas prices will continue to be strong for the foreseeable future and encourage development of new reserves.

In Norway, we await the announcement of an investment decision for Bream. This has been stated recently by the operator to be around the end of 2014/early 2015. At the time of such an announcement the Company would expect to see a material increase in the value of its indirect holding in the field and we look forward to this project finally moving ahead.

Atlantic Margin Exploration
We also continue to make progress in our Atlantic Margin blocks. In Namibia, we have benefitted from BP's participation in the acquisition and interpretation of the large 3D seismic survey which we undertook in 2012 and completed during 2013. Although, following the conclusion of a portfolio review, BP decided not to build on its foothold in Namibia and is pulling back to other areas in which it has a larger presence, its valuable contribution has enabled Serica to prove the presence of very large structures with clear characteristics of potentially prolific carbonate deposits as well as highlighting shallower clastic accumulations likely to have been exposed to regionally present mature oil source rocks. This has all been achieved at no cost to Serica, and has not only accelerated exploration, but has put us in a stronger position than at the time of the licence award just over two years ago. We are now in the partnering process to take the licence to the next stage and are very positive about the blocks' potential.

In Morocco, we drilled our first well towards the end of the year, operated by Cairn Energy who also paid the bulk of the drilling costs related to our retained 8.33% working interest. The well, drilled in the Foum Draa licence, did not encounter commercial hydrocarbons, but the cost to Serica was minimised as the result of our farm-out and does not write off the block's potential. Our Moroccan activities continue with the drilling of our second well in which our costs are largely met, in this case by Genel in the Sidi Moussa block where we have a retained 5% working interest. The well is expected to be drilled in the third quarter 2014 and would have a material impact on Serica, at minimal exposure, if successful.

Our activities in Ireland continue to be focussed on partnering efforts. Our blocks offer well-defined prospects close to existing oil and gas discoveries, one of which, the Bandon oil discovery, was drilled by Serica. We are seeing signs of increasing industry interest, but there has been only limited farm-out activity in the area to date. We believe that this will change as the strategic benefits of discoveries which can improve energy security in Western Europe become more apparent.

Columbus
Returning to Columbus, Serica is not alone in facing problems gaining access to infrastructure. The fact that it has taken us and our partners eight years of investment and endeavour to gain access to infrastructure, and we still have not been able to reach agreement with the major companies who operate the platform and pipeline systems, has sent a strong message to the UK Government that regulatory and oversight processes have got to be strengthened if the North Sea's potential is going to be fully exploited. The Wood Report, which was commissioned by the Government to investigate the problem and published in February 2014, supports the case for change. It is hard-hitting in its findings and requires existing infrastructure operators to collaborate fully to make infrastructure available to smaller companies.

We welcome and fully support the findings of the Wood Report. The mature, developed areas offshore UK still hold significant undeveloped reserves and reserves remaining in existing fields and it will be the smaller companies who will play a pivotal role in finding and developing these reserves. Preventing these companies from accessing existing infrastructure damages investor confidence, prevents new, emerging companies from flourishing, holds back entrepreneurial and technical expertise and, ultimately, results in a loss to the nation of the long term value of its reserves and their strategic value. We are, therefore, starting to press the findings of the Wood Report as well as continuing discussions with other operators. We are committed to seeing the development of Columbus take place. With renewed Government emphasis to tackle the industry needs we believe these problems of infrastructure access and appropriate taxation policies will be resolved.

Finances
In November 2013 the Board took steps to strengthen the Company's financial position. The Company completed a capital financing in difficult market conditions, raising a gross US$19.5 million. The Board recognises and is grateful for the support received from both existing and new shareholders who participated in the financing. The funds raised will underpin the growth of the business in 2014 and beyond and help to secure the full potential of the Group's assets and to ultimately maximise value for shareholders.

Our finances are also strengthened by our zero debt position. The Group is debt free and the year-end net cash balance of US$26.1 million, coupled with the benefits of the Group's farm-out efforts in recent years, and control of overhead costs, is sufficient to meet the Group's contractual commitments and current projected cash requirements to the end of 2015.

Forward prospects
Although regulatory processes, increasing costs, overly complex taxation and maturing infrastructure have conspired to make it difficult to operate efficiently in the North Sea it is believed that the Government has recognised the need to alleviate the problem. The Wood report is a major step in this direction and comes at a time when the UK needs to encourage development of its remaining gas reserves and extend the life of its offshore infrastructure. We therefore expect matters to improve. At the same time we are seeing the larger oil companies refocussing their business strategies which provides new opportunities for the smaller E&P companies to expand and diversify through increased M&A activity.

It is our firm belief that Serica has the skills and resources to pursue such opportunities. We believe that 2014 will see progress across the Company's areas of operations as well as the pursuit of new opportunities both in the UK and overseas. The November financing has put Serica in a good position to achieve these objectives and, with our portfolio of prospects rich with potential and a lean but strong and experienced management team, we are continually looking to opportunities and synergies both to expand and to unlock the value of our business.

Although we have made good progress on the exploration front, 2013 has been challenging and I would like to thank all of our employees for their continued hard work during the year and shareholders for their patience. We shall be providing shareholders with an update of the Company's activities at the forthcoming Annual General Meeting to be held on 26 June 2014 when I would hope to be able to report on further progress.

Tony Craven Walker
Chairman

9 April 2014

STRATEGIC REPORT

The following Strategic Report of the operations and financial results of Serica Energy plc and its subsidiaries (the "Group") should be read in conjunction with Serica's consolidated financial statements for the year ended 31 December 2013.

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

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 Alternative Investment Market of the London Stock Exchange in the United Kingdom.

Serica is an oil and gas company with exploration and development activities based in the UK, Ireland, Namibia and Morocco, and an economic interest in an oilfield offshore Norway. The Company's interest in the Kambuna field in Indonesia was formally terminated on 31 December 2013.

CHIEF OPERATING OFFICER'S REVIEW

UK Operations

Columbus Development

BG's unexpected decision to cancel the Lomond Bridge Linked Platform ("BLP") project in early 2013 was a major setback for the Columbus project. The focus of the technical work for the rest of the year was switched to identifying and securing a new offtake route for Columbus. The preferred technical solution is for a direct subsea tie-back to the existing Lomond facilities which are less than 8km away from Columbus. Technical work has shown that this solution is feasible and that the capital expenditure required is appropriate for a development of this size. The obstacle has been to agree commercial terms for the transportation and processing of Columbus production on the Lomond platform. Progress has been slow although dialogue is continuing with BG International Limited (the operator of the Lomond infrastructure), the Department of Energy and Climate Change ("DECC") and other stakeholders in the area.

If access to the Lomond offtake route cannot be secured on acceptable terms then there are other realistic alternative offtake routes that are currently under consideration. Technical work has commenced on these alternatives and approaches have been made to the relevant operators.

Against this background, continuing cost rises in the North Sea are also eroding development economics and both we and the other operators in the area are conscious of the need for close co-operation, highlighted by the DECC sponsored Wood Report, to reduce cost and maintain efficiencies. The Government has recognised the need to assist in these objectives as well as to ensure that there are no taxation impediments holding back development

In December 2013, DECC granted a two year extension to the licence which includes the 23/16f portion of the Columbus field. This extension shows the understanding and commitment of DECC to support our efforts and allows time for the Columbus partners to secure a commercially viable offtake route for the field.

Exploration

In the East Irish Sea, a site survey in Block 113/27c was completed during the year in preparation for drilling the Doyle Triassic gas prospect. Under an agreement with Centrica's subsidiary Hydrocarbon Resources Limited ("HRL") for the farm-out of Blocks 113/26b and 27c, HRL are paying Serica's share of costs associated with the drilling of an exploration well to test Doyle up to a gross cap of £11 million in return for a 45% interest in the licence. The site survey was therefore performed at no cost to Serica. HRL, as designated operator, has confirmed that the well will be spudded early in their next drilling campaign and that they are about to go to tender for a suitable rig.

In November 2013, we were delighted to be awarded a 35% operated interest in Block 113/22a which is adjacent to Block 113/27c and is believed to contain an extension to the Doyle prospect. The award was made as part of the delayed UK 27th Offshore Licensing Round. Work commitments include obtaining 150 kilometres of 2D seismic data and a drill or drop decision on a well within 3 years.

The farm-out agreement with HRL covers all of Blocks 113/26b, 113/27c and 113/22a. Upon completion of the farm-out HRL will take over formally as operator with Serica retaining a 20% interest.

In the Central North Sea, Serica has a 15% interest in Block 22/19c, located two blocks to the west of Columbus. As the result of a farm-out to JX Nippon, who took over as operator, Serica has a full carry on this licence up to and including the drilling of an exploration well. The decision to drill this well lies with JX Nippon. However, JX Nippon have recently advised us that they have reached agreement with ENI to join the block and we expect this will lead to an accelerated programme. The group has identified significant deep High Pressure High Temperature ("HPHT") potential in the Jurassic and Triassic. A Competent Person's Report ("CPR") conducted by Netherland, Sewell & Associates, Inc ("NSAI") and commissioned by Serica, has assessed the highest ranked prospect to contain between a P_{90} of 40mmboe and a P_{10} of 243mmboe of unrisked prospective gross resources. A site survey is expected to be acquired in 2014 in preparation for drilling an exploration well.

In the Southern North Sea a new 3D seismic survey was acquired over part of the Greater York area blocks operated by Centrica in which Serica has a 37.5% interest. This survey was acquired on schedule and under budget and has now been fully processed. Interpretation of the newly acquired data is ongoing with the aim of selecting the location for an exploration well.

Namibia

In Namibia the main focus during 2013 was the processing and interpretation of the 3D seismic survey that was acquired by Serica over our Luderitz blocks in 2012. The interpretation of the seismic, which covered approximately 25% of the licence area and focussed on Prospect B, is now complete and has confirmed that our primary prospect (Prospect B) exhibits the characteristics of a very large carbonate platform.

An independent assessment of the unrisked prospective resources contained in our Namibian licence has been performed by NSAI and covers prospects which have been mapped from early 2D seismic as well as the highly detailed 3D. This CPR recognises the multi-prospect nature of the licence and states that Prospect B at the primary Barremian level alone contains P_{50} unrisked prospective recoverable oil resources of 623 million barrels (with a P_{90} to P_{10} range of 138 million to 2.81 billion barrels). The report gives a geological risk factor of 16%.

In addition to the large Lower Cretaceous carbonate prospects evident on the licence the seismic also confirms the presence of large turbidite channel sand formations. These sands are likely to have been sourced by regionally present mature oil source rocks and therefore present valid and attractive targets.

The costs associated with the acquisition and processing of the 3D seismic survey were fully paid by BP as part of their 2012 farm in agreement. At the end of 2013 BP decided to refocus its international portfolio and elected to withdraw from the licence. Serica now holds 85% of the equity in the licence but retains the 3D seismic data which cost almost US$50million to acquire and process. We have now commenced a process to attract one or more new partners to enter into a Joint Venture arrangement with us with the aim of drilling the first exploration well in 2015. The initial level of industry interest in this opportunity has been strong and discussions continue.

Morocco

In April, a site survey was carried out by Cairn Energy in preparation for drilling the FD-1 well on our Foum Draa licence in Morocco. The well was spudded in October using the fifth generation semi-submersible drilling rig *Cajun Express*. This was a deepwater well drilled in over 1,500m of water and to a total depth of 5,255m. Drilling operations finished in early January 2014. The well failed to find commercial hydrocarbons but did encounter gas shows indicating an active thermogenic petroleum system. In line with our ongoing strategy of limiting our cost exposure, the first US$60million of the gross drilling costs for this well were paid by Cairn, our farm-in partner, minimising the net cost to Serica's retained 8.33% working interest. The group is now evaluating the valuable data recovered from the well and will soon agree on a forward plan for the licence.

The next Moroccan well in which we have an involvement will be in the Sidi Moussa licence which is now operated by Genel Energy. Once again our cost exposure is limited under a farm-out agreement and Genel will carry Serica's retained 5% working interest for the first US$50million of gross well costs, therefore considerably limiting our cost exposure. The site survey has been completed and the rig *Noble Paul Romano* has been contracted to drill the well which is expected to spud in Q3 2014. This prospect is a carbonate draped tilted fault block structure that the operator Genel estimates to hold prospective resources of 200 million barrels with a 20% chance of success.

Ireland
Serica holds 100% interests in two large swathes of blocks in the Atlantic Margin Rockall Basin and has undertaken considerable work reprocessing 2D and 3D seismic data to delineate fully the prospectivity of these blocks. This work has identified large prospects of pre-Cretaceous age close to an existing discovery drilled off block.

In July 2013 we were pleased to be informed that the Minister of State at the Department of Communications, Energy and Natural Resources ("DCENR") had consented to extend the original four year duration of Serica's Rockall Basin Frontier Exploration Licence 01/09 by two years to enable further work to be done on the licence, including a possible site survey.

This was followed in December 2013, when we were advised that we had been successful in our application to convert adjacent Licence Option 11/1 to a full Frontier Exploration Licence and that the Minister of State at the DCENR has granted Frontier Exploration Licence number 04/13 with effect from 1 December 2013.

This places us in a stronger position to attract industry partners as the attractiveness of the technical potential and the licence terms become better understood. Given the size of the prospects and their position in a proven gas-condensate bearing basin, holding two licences with significant acreage (over 1,900 square kilometres) greatly expands the options open to Serica to deliver an active drilling campaign in the area. The NSAI CPR attributes P_{50} unrisked prospective resources of 677bcf (with a range from a P_{90} of 155bcf to a P_{10} of 3.4tcf) to the Muckish prospect with a geological risk factor of 26%.

In addition to the clearly mapped prospects, recent in-house analysis of the extensive seismic database has also indicated the presence of an alternative play type, not previously considered and it is evident that the blocks contain the potential for deepwater fans. Evaluation of this play has commenced and will be completed in Q2 2014.

Further south in the Slyne Basin, we have two significant drill-ready prospects in Licence 01/06, the Boyne and the Liffey prospects. The blocks are located 40 kilometres south of the Corrib gas field in water depths of 180 to 280 metres. Boyne and Liffey are two Lower Jurassic prospects mapped as a result of the discovery of oil in shallower Jurassic sediments in the Bandon well drilled by Serica in 2009. NSAI in their CPR attribute P_{50} gross unrisked prospective resources (for the combined Jurassic and Triassic objectives in Boyne and Liffey) of 215mmboe (with a range from a P_{90} of 56mmboe to a P_{10} of 824mmboe). Together with our partner (RWE), we are looking for a further partner to invest in an exploration well to drill the Boyne Prospect in return for significant equity in the licence. This is a high value farm-in opportunity with moderate risk and significant upside.

Indonesia
Finally, during 2013 the Kambuna Field in Indonesia reached the end of its economic life. The field has been abandoned in accordance with local regulations and the Technical Assistance Contract (TAC) with Pertamina was terminated in December 2013. The abandonment and handover operations were completed smoothly and within budget.

Mitch Flegg
Chief Operating Officer
9 April 2014

REVIEW OF LICENCE HOLDINGS

The following table summarises the Company's licences as at 31 December 2013.

Block(s)	Description	Role	% at 31/12/13	Location
UK				
15/21g	Exploration	Non-operator	21%	Central North Sea
15/21a (part)	Exploration	Non-operator	21%	Central North Sea
22/19c	Exploration	Non-operator	15%	Central North Sea
23/16f	Columbus Field - Development planned	Operator	50%	Central North Sea
47/2b (split)	Exploration	Non-operator	37.5%	Southern North Sea
47/3g (split)	Exploration	Non-operator	37.5%	Southern North Sea
47/7 (split)	Exploration	Non-operator	37.5%	Southern North Sea
47/8d (part)	Exploration	Non-operator	37.5%	Southern North Sea
110/8b	Exploration	Operator	100%	East Irish Sea
113/26b	Exploration	Operator (1)	65% (1)	East Irish Sea
113/27c	Exploration	Operator (1)	65% (1)	East Irish Sea
113/22a	Exploration	Operator (1)	35% (1)	East Irish Sea
Ireland				
27/4	Exploration	Operator	50%	Slyne Basin
27/5 (part)	Exploration	Operator	50%	Slyne Basin
27/9	Exploration	Operator	50%	Slyne Basin
5/17	Exploration	Operator	100%	Rockall Basin
5/18	Exploration	Operator	100%	Rockall Basin
5/22	Exploration	Operator	100%	Rockall Basin
5/23	Exploration	Operator	100%	Rockall Basin
5/27	Exploration	Operator	100%	Rockall Basin
5/28	Exploration	Operator	100%	Rockall Basin
11/10	Exploration	Operator	100%	Rockall Basin
11/15	Exploration	Operator	100%	Rockall Basin
12/1 (part)	Exploration	Operator	100%	Rockall Basin
12/6	Exploration	Operator	100%	Rockall Basin
12/11 (part)	Exploration	Operator	100%	Rockall Basin
Namibia				
2512A	Exploration	Operator	85%	Luderitz Basin
2513A	Exploration	Operator	85%	Luderitz Basin
2513B	Exploration	Operator	85%	Luderitz Basin
2612A (part)	Exploration	Operator	85%	Luderitz Basin
Morocco				
Foum Draa	Exploration	Non-operator	8.3333%	Tarfaya-Ifni Basin
Sidi Moussa	Exploration	Non-operator	5%	Tarfaya-Ifni Basin
Indonesia				
Glagah Kambuna TAC	Kambuna Field Production	Non-operator	25% (2)	Offshore North Sumatra

Notes:

(1) Interest subject to a farm-out agreement. Post completion, Serica's interest will be 20% and Hydrocarbon Resources Limited (a wholly owned subsidiary of Centrica) will be appointed operator.

(2) Glagah Kambuna TAC terminated on 31 December 2013.

The following summary gives further detailed information on Serica's licence interests in which activities took place during, and subsequent to the end of 2013.

United Kingdom

Central North Sea: Block 23/16f - Columbus Field Development

Block 23/16f covers an area of approximately 22 square kilometres in the UK Central North Sea and contains the majority of the Columbus gas field. The Columbus field, containing gas rich in condensate, extends from Block 23/16f into Block 23/21 to the south, operated by BG International Limited ("BG"). Block 23/21 includes the Lomond platform and the producing Lomond field. Serica has a 50% interest as operator in Block 23/16f and will be the operator for Columbus field facilities with an interest of 33.2%.

In early March 2013 Serica, as operator of the Columbus field and on behalf of the Columbus field participants, issued tender documents to pre-qualifying contractors for the fabrication, installation and hook-up of sub-sea facilities and the provision of associated sub-sea equipment and systems. This followed the issuing by BG in December 2012 of tender documents for the construction and installation of a Bridge Linked Platform ("BLP"), through which Columbus field gas and condensate production would be exported.

In late March 2013, BG informed Serica that it had decided not to proceed with the construction of the BLP. This cancellation was a setback to the Columbus project but since then, progress has been made towards a revised development plan under which the Columbus field would be tied back directly to the Lomond platform without need for a BLP. Preliminary engineering studies showed that this solution is technically feasible and could be delivered within the time frame envisaged under the previous BLP-based plan.

The outstanding issue to be addressed before detailed technical work can proceed is for (non-binding) commercial terms to be agreed between the Columbus owners and the Lomond owner. Negotiations are continuing with BG, DECC and other interested parties with all parties working to secure a positive outcome following which clearances will be required from DECC enabling the project to proceed. Serica is aiming to reach an understanding acceptable to all parties during the first half of 2014. The original field development plan, as submitted to DECC, was designed to evaluate the potential for additional reserves which may exist as an extension to Columbus and this would remain the intention in any revised plan designed to take account of a modified export route.

The partners in Block 23/16f recently obtained a two year extension from DECC for the second phase of the licence (P1314), which now expires in December 2015. This cooperation from DECC is indicative of their support to help reach a positive conclusion and extends the timeframe to achieve agreement for an export route. As part of this process, the part of the block east of the Columbus accumulation has been relinquished such that the portion retained, which contains the Columbus field, has an area of 22 square kilometres.

Lomond is the nearest and easiest platform for Columbus to link into and remains the prime choice for cost and simplicity reasons. However, in addition to negotiations with BG discussions have also been opened up with other infrastructure operators who can provide alternatives in the event that negotiations with BG fail to reach a commercial conclusion.

Independent consultant NSAI carried out a reserves report on the Columbus field for the end of 2013. This report estimated that the gross Proved plus Probable Reserves of the field are 66.0 bcf of gas and 4.5 mmbbl of liquids, a total of 15.5 mmboe. Serica holds a 50% interest in those Columbus reserves lying in Block 23/16f. After providing for reserves lying in the adjacent Block, NSAI estimates the Company's share of proved and probable reserves in the field to be 21.9 bcf of sales gas and 1.5 mmbbl of liquids, a net 5.2 mmboe to Serica.

Central North Sea: Block 15/21g and 15/21a (part) - Spaniards Appraisal

Block 15/21g, in which Serica was initially awarded a 30% interest, lies immediately west of the Scott oil field and adjacent to Block 15/21a containing the Jurassic oil discovery well 15/21-38z ("Spaniards"), which flowed 2,660 bpd of 25° API oil from a good quality Jurassic-aged Upper Claymore sand. In January 2012 Block 15/21g was amalgamated with part of Block 15/21a to form a single area which includes the Spaniards discovery. Serica has a 21% interest in the amalgamated area.

In Q4 2012 the Spaniards East well was drilled to appraise the Spaniards discovery but was plugged and abandoned. The analysis of the Spaniards East well data confirms that there is little chance of any remaining oil prospectivity in the east of the field. The focus of the forward work programme is to mature the Spaniards West prospect so that a decision can be made whether to drill another well or withdraw from the licence.

Central North Sea: Block 22/19c

Block 22/19c is located approximately 20 kilometres to the west of Serica's Columbus field. Following the farm-out of an 85% interest to JX Nippon in 2012, Serica has a 15% interest in the block and has a full carry on this licence up to and including the drilling of an exploration well. The partners have identified significant deep HPHT potential in the Jurassic and Triassic on the block and a site survey is expected to be acquired in 2014 in preparation for drilling an exploration well.

JX Nippon has recently executed an agreement with ENI for the latter to join the block as operator with a 50% interest. The transaction between JX Nippon and ENI is subject to normal regulatory and partner approvals. Serica expects that the transaction will lead to an accelerated programme.

Southern North Sea: Blocks 47/2b (Split), 47/3g (Split), 47/7 (Split) & 47/8d (Part)

Serica has a 37.5% interest in the blocks which are operated by Centrica. These blocks are contiguous part blocks immediately adjacent to the producing York field, also operated by Centrica.

A number of gas prospects, including a possible extension to the York field, have been identified on the blocks at Leman (Permian) level with additional leads at Namurian (Carboniferous) level. The work obligation, comprising a 3D seismic acquisition survey and reprocessing of existing seismic data, has been completed.

East Irish Sea: Block 110/8b

Serica has a 100% interest and operatorship of Block 110/8b. Recent drilling by Centrica in the adjoining block to the north is likely to have investigated prospectivity for gas in the area of the Darwen North prospect lying in the north of Block 110/8b but results of the drilling have not been released.

East Irish Sea: Blocks 113/26b and 113/27c - Doyle Prospect

In June 2013 the Company announced that it had reached agreement with Centrica, through Centrica's subsidiary HRL, for the farm-out of UK East Irish Sea Blocks 113/26b and 27c, in which Serica presently holds a 65% interest. Under the agreement, HRL will acquire an operated 45% interest in the licence, with Serica retaining 20%, in consideration for HRL bearing Serica's share of costs associated with the drilling of an exploration well up to a gross cap of £11 million.

The agreement is subject to UK government approval. Completion also requires agreement with the operator of a wind farm planned nearby. However this is now at an advanced stage with final agreement expected shortly.

A Triassic gas prospect, the Doyle prospect, lies in the north of Block 113/27c. A fault and dip closed structure, this prospect has been fully matured and is ready to drill. The site survey has been completed and the well is expected to be drilled in early 2015.

East Irish Sea: Block 113/22a

In November 2013 Serica was awarded a Traditional Licence in the latest stage of the 27th Offshore Licensing Round, announced by DECC. Block 113/22a in the East Irish Sea has been awarded to a group in which Serica has a 35% interest and is operator. The other participants in the new licence award are HRL (a subsidiary of Centrica) 30%, MPX Limited 25% and Agora Limited (a subsidiary of Cairn Energy) 10%.

This block is adjacent to Serica Block 113/27c and the farm-out agreement for Blocks 113/26b and 113/27c with Centrica noted above, extends to the new licence offered. As a result, Serica will have a 20% interest both in the new licence offered and in Blocks 113/26b & 27c on completion of the farm-out. The Doyle prospect in Block 113/27c is believed to extend into Block 113/22a.

Northern North Sea: Blocks 210/19a and 210/20a – South Otter Prospects

Drilling of the South Otter blocks, in which Serica held a 100% interest, remained subject to a farm-out programme. As sufficiently attractive proposals to enable a well to be drilled in the blocks were not received, Serica made the decision to relinquish the blocks in January 2013 to comply with the terms of the licence.

Ireland

Frontier Exploration Licence 1/09: Blocks 5/17, 5/18, 5/22, 5/23, 5/27, and 5/28 - Muckish Prospects

Serica holds a 100% working interest in six blocks in this licence covering a total area of 993 square kilometres in the north-eastern part of the Rockall Basin off the west coast of Ireland.

A large exploration gas condensate prospect, Muckish, has been fully delineated from 3D seismic data in Blocks 5/22 and 5/23. Muckish is analogous to the nearby Dooish gas condensate discovery and provides material upside in a proven hydrocarbon basin. The evaluation of 3D seismic data coverage and the nearby Dooish gas-condensate discovery, give confidence in the potential of the prospect which covers an area of approximately 30 square kilometres with over 600 metres of vertical closure in a water depth of 1,450 metres.

Serica has secured a two-year extension to the first phase of the licence covering the blocks and is moving forward with plans to perform a site survey in preparation for securing partners to participate in drilling the Muckish prospect.

Frontier Exploration Licence 4/13 - Blocks 11/10, 11/15, 12/1(part), 12/6 and 12/11(part) - Midleton Prospects

In December 2013, following the initial two year period of the licence award, Serica took the option to convert Licence Option 11/01, also located in the Rockall Basin, into a full Frontier Exploration Licence ("FEL"). Following a mandatory 25% relinquishment at the time of the option conversion into FEL 4/13, the three blocks and two part blocks now cover an area of approximately 925 square kilometres.

The area covered by the licence contains two pre-Cretaceous fault block prospects, Midleton and West Midleton which are analogous to the proven gas-condensate bearing Dooish discovery lying immediately to the east. These complement and provide additional diversity to the Muckish prospect lying in Serica's acreage just to the north east and the award will enable a comprehensive exploration programme covering the Muckish and Midleton prospects.

Serica is undertaking 2D and 3D seismic reprocessing work and other geological studies to firm up these two additional prospects. Recent in-house analysis of the extensive seismic database has also indicated the presence of deepwater fans, a play type not previously considered. This will be fully evaluated during this licence phase.

Frontier Exploration Licence 01/06: Blocks 27/4, 27/5 (west) and 27/9 - Liffey & Boyne Prospects

Licence FEL 1/06 covers an area of approximately 305 square kilometres in the Slyne Basin off the west coast of Ireland. The blocks lie some 40 kilometres south of the Corrib discovery, which has reserves of approximately 800 bcf of gas. The Company holds a 50% interest in the blocks and operates the licence.

The Company, in partnership with RWE, has launched a farm-out campaign to follow up on the 2009 Bandon oil discovery made by Serica. Subject to identifying a suitable partner or partners a well is targeted to be drilled on the Boyne prospect in 2015.

Namibia

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

During 2013, Serica, in partnership with BP, undertook the processing and interpretation of an extensive 4,180 square kilometre 3D seismic survey undertaken by Serica in 2012. The survey, covering approximately 25% of the licensed area and costing approximately US$50 million, was fully funded by BP under the terms of a farm-out agreement with Serica and was designed to delineate the size and nature of Prospect B, one of three large structures identified on the licence at Lower Cretaceous (Barremian) level, and to examine prospectivity at shallower levels.

The results of this survey are positive. Processing of the data confirms Prospect B as having the clear characteristics of a large carbonate platform extending over 700 square kilometres with a vertical closure of up to 300 metres. The expectation of a predominantly carbonate structure has been reinforced by third party drilling elsewhere in Namibia which has proven the presence of large structures with associated carbonate build-up at Lower Cretaceous level

The survey also confirmed the presence of large submarine canyon-channel turbidite sand systems at both Lower and Upper Cretaceous levels. These, together with further leads and other large prospects on the licence, provide considerable additional potential. This is recognised in the NSAI report which gives a combined best estimate of gross unrisked prospective oil resources associated with 7 prospects and 2 leads identified on licence of 2,297 million barrels and 437 million barrels respectively.

In December 2013, BP decided not to exercise an option to increase its interest in the licence and assigned its 30% interest to Serica under the terms of Serica's farm-out agreement with BP. Serica now holds an interest of 85% in the licence in partnership with The National Petroleum Corporation of Namibia (Pty) Limited ("NAMCOR") and Indigenous Energy (Pty) Limited. The withdrawal of BP leaves Serica with a valuable and extensive, fully interpreted data set and provides the Company with an opportunity to attract new partners and to retain a larger percentage interest.

Morocco

Sidi Moussa and Foum Draa Petroleum Agreements

Serica holds licence interests in the Foum Draa and adjacent Sidi Moussa Petroleum Agreements offshore Morocco. The blocks cover a total area of approximately 8,375 square kilometres in the sparsely explored Tarfaya-Ifni Basin and extend from the Moroccan coastline into water depths reaching a maximum of 2,000 metres. The Tarfaya-Ifni Basin is geologically analogous to the oil producing salt basins of West Africa.

Foum Draa
Following a farm-out to Cairn Energy, Serica has an 8.33% interest in the Foum Draa licence.

In October 2013, drilling operations on the licence commenced with the FD-1 well. In December, Cairn reported that the well had reached a Total Depth of 5,255m MDBRT (measured depth below rotary table). Although commercial hydrocarbons and clastic reservoir rocks were not found, gas shows were encountered indicating an active thermogenic petroleum system. The well was plugged and abandoned. Under the terms of the 2012 farm out agreement Serica was carried by Cairn for its share of drilling costs up to a gross well cost of US$60 million.

Sidi Moussa
Serica has a 5% working interest in the Sidi Moussa licence and is carried by Genel for its share of the cost of drilling the first well on the licence up to a gross well cost of US$50 million. The location for the first exploration well has been agreed and the well will target a prospect with unrisked prospective resources estimated by Genel, the operator, at 200 mmboe. Site survey operations were completed in August/September 2013, a rig contract has been signed for the *Noble Paul Romano* drilling rig and the well is due to spud in Q3 2014.

Norway

Serica has a significant economic interest in the development of the Bream field and is due a substantial payment on first production. In their Annual Results Statement (March 2014), the Operator, Premier, stated: "A formal concept selection design will now take place during the first quarter of 2014 and an investment decision is planned for late 2014, or early 2015. The Bream development concept is planned to be an FPSO with subsea production and water injection wells".

Indonesia

Glagah Kambuna TAC - Kambuna Field, Offshore North Sumatra, Indonesia

Serica held a 25% interest in the Glagah Kambuna Technical Assistance Contract ("TAC") offshore North Sumatra, Indonesia for the large part of 2013. The TAC covered an area of approximately 380 square kilometres and contained the producing Kambuna gas field.

Throughout the first half of 2013 the Company benefited from cash flows from field production but the field reached the end of its economic life in July 2013 and was shut-in as planned. Gross Kambuna field production in 2013 was 1,176 mmscf of gas and 100,000 barrels of condensate. Average prices realised during the year for gas and condensate sales respectively were US$6.5 per mcf and US$105.3 per barrel.

The partnership agreed handover arrangements with the Indonesian authorities and the decommissioning process, which involved securing the three wells and wellhead structure, was completed in November 2013. The TAC was formally terminated and facilities handed over to Pertamina in December 2013.

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 a rate of 4,800 standard cubic feet per barrel for Kambuna, which has a relatively high calorific value, and 6,000 standard cubic feet per barrel for Columbus)
FPSO	Floating, production, storage and offloading unit
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
P_{10}	A high estimate that there should be at least a 10% probability that the quantities recovered will actually equal or exceed the estimate
P_{50}	A best estimate that there should be at least a 50% probability that the quantities recovered will actually equal or exceed the estimate
P_{90}	A low estimate that there should be at least a 90% probability that the quantities recovered will actually equal or exceed the estimate
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
TAC	Technical Assistance Contract
tcf	trillion standard cubic feet

FINANCE DIRECTOR'S REVIEW

Financial summary

The Group entered 2013 aware that Kambuna field revenues would cease in mid year and that it would be more than two years before expected first revenues from the Columbus field. It was therefore recognised that additional funding would need to be secured ready for the Group's exploration programme from 1H 2014 and to support further business growth.

In June 2013 a farm-out on its East Irish Sea licence containing the Doyle prospect was agreed with Centrica. This transaction gives a carry on an exploration well up to a gross cap of £11m, and is another demonstration of the Group's successful approach to risk management limiting its financial exposure whilst maintaining upside potential from exploration drilling.

The most significant exploration expenditure during 2013 was incurred in the UK Southern North Sea on 3D seismic acquisition on the Greater York asset, followed by the drilling of the Foum Draa well in Morocco in Q4 2013. Although the drilling results of the FD-1 well were disappointing, the Group's share of costs was limited due to the capped carry negotiated in the prior year farm-out to the operator Cairn.

The main financial event of the year was the successful capital raise from a placing and open offer which completed in November 2013 raising US$19.5 million before expenses. This transaction is covered in more detail below but enabled the Group to end 2013 with a stronger cash position of US$26.1 million and no debt.

Results from operations

Following the cessation of production and the decommissioning of the Kambuna field facilities in the second half of 2013, the annual financial results of the Kambuna field business segment are disclosed within 'discontinued operations' in the financial statements and separate from the results of the retained core business segments. 2012 comparative figures have been restated accordingly. A high level summary of the income statement results for continuing and discontinued operations is given below.

<u>Income statement – continuing operations</u>

The Company generated a loss before tax from continuing operations of US$5.1 million for 2013 compared to a loss before tax of US$16.4 million for 2012.

The pre-licence expenditure of US$0.3 million for 2013 was in line with the 2012 charge of US$0.3 million due to a similar level of activity in the year. Pre-licence costs included direct costs and allocated general administrative costs incurred on oil and gas activities prior to the award of licences, concessions or exploration rights.

Asset write offs of US$0.3 million in 2013 included minor exploration and evaluation ("E&E") asset and obsolete inventory amounts and were significantly lower than the 2012 charge of US$10.5 million. The prior year charge included US$8.8 million attributed to the Spaniards block in the UK North Sea, US$1.1 million of charge from relinquished UK licences and US$0.6 million of obsolete inventory.

Administrative expenses of US$4.5 million for 2013 decreased from US$5.3 million for 2012. The Company has worked to reduce overhead during 2013 and expects these savings to give further benefit in 2014.

The accounting gain of US$1.0 million on disposal in 2012 was recorded following the Company's farm-out to BP in Namibia and related to the recognition of recovery for those past costs incurred that had been expensed as pre-licence costs in previous periods.

Finance costs reduced from US$0.6 million in 2012 to US$0.04 million in 2013 following the expiry of the loan facility in March 2013. No finance costs are currently being incurred.

Income statement - discontinued operations

Serica generated a profit from discontinued operations of US$0.1 million for the year ended 31 December 2013 (2012: loss of US$8.3 million) from its 25% interest in the Kambuna field. Field production ceased in July 2013, the facilities were decommissioned in 2H 2013 and the Glagah Kambuna TAC was formally terminated in December 2013.

The field commenced its anticipated natural decline during 2011 in line with reservoir pressure depletion. In 2013, gross Kambuna field gas production totalled 1,176 mmscf (2012: 5,538 mmscf) together with condensate production of 100,000 barrels (2012: 334,000 barrels). The 2013 gas production was sold at prices averaging US$6.47 per mscf (2012 US$6.53 per mscf) and generated US$1.7 million (2012 US$8.0 million) of revenue net to Serica. Condensate liftings in the year earned US$2.4 million (2012 US$7.4 million) of revenue net to Serica at an average price of US$105.3 per barrel (2012 US$116.1 per barrel).

Cost of sales for 2013 were driven by field production and totalled US$3.9 million (2012 US$19.3 million). The charge comprised direct operating costs of US$2.6 million (2012 US$6.2 million), non cash depletion of US$1.0 million (2012 US$13.1 million) and a decrease in condensate inventory of US$0.3 million (2012 US$0.02 million increase).

In 2012, a US$4.4 million pre-tax impairment relating to the Kambuna field was recorded against oil and gas property, plant and equipment. Taxation charges typically arose from Kambuna field operations, although there is no current taxation or deferred taxation charge in 2012 or 2013 given the cost recovery position of the field at the time.

Balance Sheet

During 2013, total investments in E&E assets increased from US$66.9 million to US$74.6 million, an increase consisting of US$7.8 million of additions less US$0.1 million of exploration asset write-offs. The more significant exploration costs in the year were incurred on the following assets:

In Africa, US$2.3 million was capitalised on the Foum Draa licence in Morocco (largely consisting on the costs of the FD-1 well drilled in Q4 2013) and US$1.1 million was incurred in respect of the Luderitz basin licence interests in Namibia. FD-1 well operations continued into January 2014 and an estimated cost of US$1.2 million of expenditure incurred in the current 2014 period is not recognised in the 2013 financial statements.

In the UK & Ireland, US$2.1 million was incurred on a 3D seismic survey on the Group's Greater York interests in the Southern North Sea, US$0.7 million was incurred on the Columbus development and US$0.7 million on exploration work on the Rockall licences in Ireland.

Property, plant and equipment balances chiefly comprised the net book amount of the expenditure on the Kambuna asset and were fully depleted to US$ nil in the year.

Long-term other receivables of US$1.3 million are represented by value added tax ("VAT") on Indonesian capital spend which continues to be recovered from the Indonesian authorities.

Trade and other receivables at 31 December 2013 totalled US$3.9 million and included US$1.4 million of trade debtors from condensate sales from the Kambuna field. The aggregate total in 2013 showed a decrease of US$5.0 million from the 2012 balance of US$8.9 million. The fall is attributable to the recovery during the period of Indonesian VAT, back costs from 2012 farm-outs and a significant drop in JV partner recoverables in Namibia and Kambuna, reflecting the reduced current activity on those assets.

Cash and cash equivalents increased from US$22.3 million to US$26.1 million in the year The Company received net proceeds of US$18.2 million from the issue of shares in the placing and open offer which completed in November 2013, and also benefitted from cash inflows from Kambuna field revenues. Cash outflows were incurred on the Q4 2012 East Spaniards well (US$6.9 million) and Greater York 3D seismic acquisition (US$2.1 million) in the UK, Kambuna field operating costs in Indonesia and on the Foum Draa exploration well drilling in Morocco. Other costs included seismic work across the portfolio, Columbus Field Development Plan expense together with new venture costs, ongoing administrative costs and corporate activity.

Trade and other payables totalled US$4.4 million at 31 December 2013 and were significantly reduced from the prior year balance of US$11.7 million which included US$6.9 million of liabilities from the East Spaniards well in the UK drilled in Q4 2012 but cash settled in Q1 2013. The current year balance chiefly includes creditors and accruals of US$1.7 million from the Foum Draa well drilling in Morocco and final creditors of US$1.1 million from the Kambuna field decommissioning and operations.

Provisions of US$1.6 million at 31 December 2012 were in respect of obligations to decommission the Kambuna in Indonesia. This process was completed in Q4 2013 and any unpaid liabilities are classified in trade and other payables.

Capital raising, cash and future commitments

Capital raising

The main financial event in the year was a capital raising which completed in November 2013 and raised aggregate gross proceeds of approximately US$19.5 million.

The capital raising comprised three elements: the placing of 56,870,934 new ordinary shares with institutional and other investors; the acceptance of 6,093,351 new ordinary shares in an open offer to qualifying shareholders; and the placing of 4,444,444 new ordinary shares not taken up by qualifying shareholders under the open offer.

All new ordinary shares were issued at a price of 18 pence per share and following the relevant required approvals, the aggregate of 67,408,729 new ordinary shares were listed on AIM and the TSX in November 2013. As at 9 April 2014 the Company has 250,179,040 ordinary shares issued and outstanding.

Whilst the Company was able to meet its 2013 commitments from cash in place as at 31 December 2012, the capital raising was needed for the exploration programme from 1H 2014 and to support further business growth. It has also put the Company onto a stronger footing and improved its ability to fund upcoming expenditure in order to bring projects to maturity whilst enabling the Group to optimise, and ultimately realise, value across its portfolio.

Current cash position, capital expenditure commitments and other obligations

At 31 December 2013, the Group held cash and cash equivalents of US$26.1 million and US$0.4 million of short-term restricted cash. Liabilities of US$2.8 million arising from the Q4 2013 Foum Draa well in Morocco have been settled since the year end, and as at 7 April 2014, cash and restricted cash balances held totaled US$21.5 million. Management believe these are sufficient resources to meet the current committed programme for 2014 and 2015.

The Group's main near term exploration commitments in 2014 are on the Sidi Moussa licence where an exploration well is expected to be drilled in Q3 2014. The Company is carried for its share of expenditure up to a gross cap of US$50 million and has currently budgeted to pay some US$2.3 million, being its paying share of costs over and above the agreed cap to the farm-in carry.

In the UK East Irish Sea, the exploration well on the Doyle prospect slated for 2015 is also subject to a cap although no overrun is currently forecast. The Group has no significant commitments on its other exploration licences.

The Company will continue to give priority to the careful management of existing financial resources. Although a key objective for the Group is to get the Columbus development back on track when the final decision to proceed with the Columbus development is made, the Group would use alternative means of finance to fund its share of development costs.

Other

Asset values and Impairment

At 31 December 2013 Serica's market capitalisation stood at US$54.7 million (£33.1 million), based upon a share price of £0.1325, which was exceeded by the net asset value at that date of US$102.1 million. By 7 April 2014 the Company's market capitalisation had decreased to US$44.6 million. Management conducted a thorough review of the carrying value of the Group's assets and determined that no significant write-downs were required.

Christopher Hearne
Finance Director

9 April 2014

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

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

Investment Returns: Management seeks to raise funds and then to generate shareholder returns though investment in a portfolio of exploration acreage leading to the drilling of wells and discovery of commercial reserves. Delivery of this business model carries a number of key risks.

Risk	***Mitigation***
Market support may be eroded obstructing fundraising and lowering the share price	• Management regularly communicates its strategy to shareholders • Focus is placed on building an asset portfolio capable of delivering regular news flow and offering continuing prospectivity
General market conditions may fluctuate hindering delivery of the company's business plan	• Management aims to retain adequate working capital to ride out downturns should they arise
Management's decisions on capital allocation may not deliver the expected successful outcomes	• Rigorous analysis is conducted of all investment proposals • Operations are spread over a range of areas and risk profiles
Each asset carries its own risk profile and no outcome can be certain	• Management aims to avoid over-exposure to individual assets and to identify the associated risks objectively

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

Risk	***Mitigation***
Individual wells may not deliver recoverable oil and gas reserves	• Thorough pre-drill evaluations are conducted to identify the risk/reward balance • Exposure is selectively mitigated through farm-out
Wells may blow out or equipment may fail causing environmental damage and delays	• The Group retains fully trained and experienced personnel • The planning process involves risk identification and establishment of mitigation measures • Emphasis is placed on engaging experienced contractors • Appropriate insurances are retained
Operations may take far longer or cost more than expected	• Management applies rigorous budget control • Adequate working capital is retained to cover reasonable eventualities

Resource estimates may be misleading and exceed actual reserves recovered	• The Group deploys qualified personnel • Regular third-party reports are commissioned • A prudent range of possible outcomes are considered within the planning process

Personnel: The company relies upon a pool of experienced and motivated personnel to identify and execute successful investment strategies	
Risks	**Mitigation**
Key personnel may be lost to other companies	• The Remuneration Committee regularly evaluates incentivisation schemes to ensure they remain competitive
Personal safety may be at risk in demanding operating environments, typically offshore	• A culture of safety is encouraged throughout the organisation • Responsible personnel are designated at all appropriate levels • The Group maintains up-to-date emergency response resources and procedures • Insurance cover is carried in accordance with industry best practice
Staff and representatives may find themselves exposed to bribery and corrupt practices	• Company policies and procedures are communicated to personnel regularly • Management reviews all significant contracts and relationships with agents and governments

Commercial environment: World and regional markets continue to be volatile with fluctuations and infrastructure access issues that might hinder the company's business success	
Risk	**Mitigation**
Volatile commodity prices mean that the company cannot be certain of the future sales value of its products	• Price mitigation strategies may be employed at the point of major capital commitment • Gas may be sold under long-term contracts reducing exposure to short term fluctuations • Oil and gas price hedging contracts may be utilised where viable • Budget planning considers a range of commodity pricing
The company may not be able to get access, at reasonable cost, to infrastructure and product markets when required	• A range of different off-take options are pursued wherever possible
Credit to support field development programmes may not be available at reasonable cost	• Serica seeks to build and maintain strong banking relationships and initiates funding discussions at as early a stage as practicable
Fiscal regimes may vary, increasing effective tax rates and reducing the expected value of reserves	• Operations are currently spread over a range of different fiscal regimes in Western Europe and Africa • Before committing to a significant

	investment the likelihood of fiscal term changes is considered when evaluating the risk/reward balance

In addition to the principal risks and uncertainties described herein, the Company is subject to a number of other risk factors generally, a description of which is set out in our latest annual information form available on www.sedar.com.

Key Performance Indicators ("KPIs")

The Company's main business is the acquisition of interests in prospective exploration acreage, the discovery of hydrocarbons in commercial quantities and the crystallisation of value whether through production or disposal of reserves. The Company tracks its non-financial performance through the accumulation of licence interests in proven and prospective hydrocarbon producing regions, the level of success in encountering hydrocarbons and the development of production facilities. In parallel, the Company tracks its financial performance through management of expenditures within resources available, the cost-effective exploitation of reserves and the crystallisation of value at the optimum point. A review of the Company's progress against these KPIs is covered in the operations and financial review within this Strategic Report.

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
Christopher Hearne
Finance Director

9 April 2014

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.

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 2013.

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, Ireland, Namibia and Morocco.

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 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).

Results and Dividends

The loss for the year was US$5,008,000 (2012: loss US$24,708,000).

The Directors do not recommend the payment of a dividend (2012: US$nil).

Financial Instruments

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

Events Since Balance Sheet Date

Events since the balance sheet date are included in note 29.

Directors and their Interests

The following Directors have held office in the Company since 1 January 2013:

Antony Craven Walker
Christopher Hearne
Peter Sadler (resigned 27 June 2013)
Neil Pike
Mitchell Flegg
Ian Vann
Steven Theede
Jeffrey Harris

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**
Antony Craven Walker (1)	Ordinary	7,829,916	5,970,236
Christopher Hearne	Ordinary	1,051,613	794,632
Mitchell Flegg	Ordinary	301,463	102,816
Neil Pike (2)	Ordinary	505,000	405,000
Ian Vann	Ordinary	267,935	133,935
Steven Theede	Ordinary	749,485	749,485
Jeffrey Harris (3)	Ordinary	46,090,576	25,501,736

1. 4,207,078 ordinary shares are held by Antony Craven Walker, 2,241,732 ordinary shares are held by Christine Elizabeth Walker and 1,381,106 by Rathbones (pension funds).

2. 190,000 ordinary shares are held by Romayne Pike and 185,000 ordinary shares by Luska Limited.

3. 46,090,576 ordinary shares are held by GRG UK Oil LLC who are represented on the Board by Jeffrey Harris.

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:

The Directors are interested in share options held by them pursuant to the terms of the Serica Energy Corporation option plan (a summary of which is set out in note 25) as follows:

	1/1/13	Granted	Expired	31/12/13	Exercise Price Cdn$	Date of grant	Expiry date
C Hearne	600,000	-	-	600,000	1.00	17/01/05	16/01/15
	100,000	-	-	100,000	1.80	15/06/05	14/06/15

The options above have fully vested.

The following Directors are also interested in share options held by them pursuant to the terms of the Serica Energy plc Share Option Plan 2005 ("Serica 2005 Option Plan") (a summary of which is set out in note 25) as follows:

	1/1/13	Granted	Expired	31/12/13	Exercise Price £	Date of grant	Expiry date
C Hearne	103,000	-	-	103,000	0.97	23/11/05	22/11/15
	7,000	-	-	7,000	0.97	23/11/05	22/11/15
	350,000	-	-	350,000	0.82	31/03/08	30/03/18
	675,000	-	-	675,000	0.68	11/01/10	10/01/20
	200,000	-	-	200,000	0.314	05/04/11	04/04/21
	402,190	-	-	402,190	0.214	11/01/12	10/01/22
	400,000	-	-	400,000	0.29	08/10/12	07/10/22
M Flegg	270,000	-	-	270,000	0.96	12/06/06	11/06/16
	150,000	-	-	150,000	1.02	11/01/07	10/01/17
	210,000	-	-	210,000	0.75	14/03/08	13/03/18
	66,000	-	-	66,000	0.32	05/01/09	04/01/14
	225,000	-	-	225,000	0.68	11/01/10	10/01/20
	200,000	-	-	200,000	0.314	05/04/11	04/04/21
	326,750	-	-	326,750	0.214	11/01/12	10/01/22
	400,000	-	-	400,000	0.29	08/10/12	07/10/22

Options granted prior to December 2009 vest as to one third on each of the first, second and third anniversaries of grant in line with the practice for companies listed in Toronto which applied at the date of grant. Options awarded since December 2009 have a three year vesting period.

Under the Serica 2005 Option Plan, when awarding options to directors, the Remuneration Committee is required to set Performance Conditions, in addition to the vesting provisions, before vesting can take place. In summary the Performance Conditions are as follows:

In respect of the options granted in November 2005, the director may only exercise those options on condition that the Serica share price on a 30 day moving average basis prior to 23 November 2015 has reached at least 200p.

In respect of the options granted in March 2008, the director may only exercise those options on condition that the Serica share price on a 30 day moving average basis prior to 30 March 2018 has reached at least 200p.

In respect of the options granted in January 2010, the vesting of the options is subject to Serica share price Performance Conditions measured against a selected peer group initially consisting of Antrim Energy Inc., Aurelian Oil & Gas plc (Aurelian), Bowleven plc, Falkland Oil & Gas Limited, Faroe Petroleum plc, Gulfsands Petroleum plc, Ithaca Energy Inc, Northern Petroleum plc, Petroceltic International plc, Providence Resources plc, Regal Petroleum plc and Valiant Petroleum plc (Valiant). The Performance Conditions are as follows:

- 40% of options to vest in the event that the Company outperforms the 25th percentile of peer group performance over any 1 year period
- 80% of options to vest in the event that the Company outperforms the 50th percentile of peer group performance over any 1 year period
- 100% of options to vest in the event that the Company outperforms the 75th percentile of peer group performance over any 1 year period

The peer group of comparator companies is subject to change by the Remuneration Committee should the Remuneration Committee feel that the group no longer comprises a meaningful peer group comparator as the result, for example, of a significant change in the Company or one or more of the peer group companies ceasing to be quoted on a recognised exchange. Regal Petroleum plc (Regal) was replaced by Dominion Petroleum plc (Dominion) following Regal's acquisition by Energees Management Limited and Dominion was replaced by Chariot Oil and Gas Limited (Chariot) following Dominion's acquisition by Ophir Energy plc. Aurelian ceased to be quoted on a recognised exchange in January 2013 and Valiant merged with Ithaca Energy Inc in April 2013. Following these events Aurelian and Valiant are no longer included in the peer group of comparator companies and have not been replaced.

In respect of the options granted in April 2011, the director may only exercise those options on condition that either of the following Performance Conditions is satisfied:

- Achievement of full year post-tax, audited profit for the Serica Energy group of companies; and/or
- Successful achievement of a merger or acquisition or other similar corporate event approved by the Board of Directors of the Company which, in the view of the Remuneration Committee, would create greater diversity and scope for the Company.

In respect of the options granted in January 2012 and October 2012, the vesting of the options is subject to Serica share price Performance Conditions measured against a selected peer group initially consisting of Antrim Energy Inc., Aurelian Oil & Gas plc, Bowleven plc, Chariot Oil and Gas Limited, Falkland Oil & Gas Limited, Faroe Petroleum plc, Gulfsands Petroleum plc, Ithaca Energy Inc, Northern Petroleum plc, Petroceltic International plc, Providence Resources plc and Valiant Petroleum plc. The Performance Conditions are as follows:

- 40% of options to vest in the event that the Company outperforms the 25th percentile of peer group performance over any 1 year period
- 80% of options to vest in the event that the Company outperforms the 50th percentile of peer group performance over any 1 year period
- 100% of options to vest in the event that the Company outperforms the 75th percentile of peer group performance over any 1 year period

The peer group of comparator companies is subject to change by the Remuneration Committee should the Remuneration Committee feel that the group no longer comprises a meaningful peer group comparator as the result, for example, of a significant change in the Company or one or more of the peer group companies ceasing to be quoted on a recognised exchange. Aurelian ceased to be quoted on a recognised exchange in January 2013 and Valiant merged with Ithaca Energy Inc in April 2013. Following these events Aurelian and Valiant are no longer included in the peer group of comparator companies and have not been replaced.

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 he is obliged to take as a director in order to made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Board

Christopher Hearne
Director
9 April 2014

CORPORATE GOVERNANCE STATEMENT

The Board of Directors fully endorses the importance of sound corporate governance. Serica is incorporated in the United Kingdom. Its shares are traded on both the AIM market of the London Stock Exchange ("AIM") and on the Toronto Stock Exchange in Canada ("TSX").

The code of practice followed for companies incorporated in the United Kingdom and listed on the premium sector of the Main Market of the London Stock Exchange is set out in the UK Corporate Governance Code (the "UK Code"). It is not compulsory for companies whose shares are traded on the AIM market but the Board applies those principles of the UK Code to the extent that it considers it reasonable and practical to do so given the size and nature of the Company.

As the Company is quoted on the TSX market as well as on the AIM market it endeavours to meet the principles of the non-binding Corporate Governance Guidelines as well as the UK Code where it is deemed practical and appropriate to do so.

The corporate governance guidelines applying to reporting issuers in Canada are set out under Ontario Securities Commission National Policy 58-201 (the "Corporate Governance Guidelines"). The Company is a 'designated foreign issuer' as defined under National Instrument 71-1-2-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.

The disclosures below explain the composition of, role and responsibilities of the Board and the Board Committees.

The Board and its Committees

The Board of the Company currently consists of two Executive Directors, four non-Executive Directors and the Chairman of the Board who has been acting as Interim CEO since the retirement of Paul Ellis in April 2011. At the time of Mr Ellis's retirement, the Board agreed that it was necessary for there to be some continuity in the management of the Company and it was agreed that the Chairman should be appointed as Interim CEO until such time as a suitably qualified successor to fill the CEO position could be identified. The position has been kept under review by the Corporate Governance and Nomination Committee which reports to the Board. This Committee considers that it remains in the best interests of the Company for the Chairman to continue to fill this role during this period of strategic refocus. This view is supported by the Board. Neil Pike continues to hold the position of Senior Independent Director which ensures that the appropriate level of balance is maintained on the Board. Peter Sadler resigned as an Executive Director in June 2013 but continues to provide consultancy services to the Group. It is considered that the Board is of sufficient size and that the balance of skills and experience is appropriate for a company of Serica's size, stage of development and business although it is recognised that a CEO will need to be appointed in due course. All the non-Executive Directors and the Chairman are independent in character and judgement and have the 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 Board retains full and effective control over the Company. The Company holds regular Board meetings at which financial, operational and other reports are considered and, where appropriate, voted on. The Board is responsible for the Group's strategy, performance, key financial and compliance issues, approval of any major capital expenditure and the framework of internal controls. The matters reserved for the Board include, amongst others, approval of the Group's long term objectives, policies and budgets, changes relating to the Group's management structure, approval of the Group's annual report and accounts and ensuring maintenance of sound systems of internal control.

There is a clearly defined organisational structure with lines of responsibility and delegation of authority to executive management. The Board is responsible for monitoring the activities of the executive management. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities. In the event of an equality of votes at a meeting of the Board, the Chairman has a second or casting vote.

Other than Jeffrey Harris who represents Global Reserve Group, the Company's largest shareholder, all of the non-Executive Directors meet the requirements of independence prescribed in the UK Code. The Board believes that there has been an adequate balance between the non-Executive and Executive Directors, both in number and in experience and expertise, to ensure that the Board operates independently of executive management. The need to appoint a Chief Executive Officer is recognised and this is discussed further in the Chairman's Report. There is no formal Board performance appraisal system in place but the Corporate Governance and Nomination Committee considers this as part of its remit.

Individual Directors may engage outside advisors at the expense of the Company upon approval by the Board in appropriate circumstances.

The Board has established a Corporate Governance and Nomination Committee, an Audit Committee, a Reserves Committee, a Remuneration and Compensation Committee and a Health, Safety and Environmental Committee. The terms of reference of the Corporate Governance and Nomination, Audit and Remuneration and Compensation Committees can be found on the Company's website www.serica-energy.com

Corporate Governance and Nomination Committee
The Corporate Governance and Nomination Committee is responsible for the Company's observance of the UK Code and the Corporate Governance Guidelines where they apply to the Company, for compliance with the rules of AIM and the TSX and for other corporate governance matters, including compliance with the Company's Share Dealing Code and with AIM and TSX in respect of dealings by directors or employees in the Company's shares. The committee is responsible for monitoring the effectiveness of the Board and its Committees, proposing to the Board new nominees for election as directors to the Board, determining successor plans and for assessing directors on an ongoing basis.

The committee met three times during 2013 and proposes to meet at least three times during the next financial year.

The Corporate Governance and Nomination Committee is comprised of the Chairman and two non-Executive Directors all of whom are independent (other than as described in "The Board and its Committees" above). The committee is chaired by Neil Pike and its other member is Antony Craven Walker.

Audit Committee
The Audit Committee meets regularly and consists of three members, all of whom are non-Executive Directors and two of whom are independent including the chairman of the committee. The committee's purpose is to assist the Board's oversight of the integrity of the financial statements and other financial reporting, the independence and performance of the auditors, the regulation and risk profile of the Group and the review and approval of any related party transactions. The Audit Committee may hold private sessions with management and the external auditor.

The Audit Committee met four times in 2013 and proposes to meet at least three times during the next financial year. The committee is chaired by Neil Pike and its other members are Steven Theede and Jeffrey Harris.

The responsibilities and operation of the Audit Committee are more particularly set out in the Company's Audit Committee Charter, a copy of which is included as Schedule A to the last annual information form filed for the Company, a copy of which is available on SEDAR at www.sedar.com.

Reserves Committee

The Reserves Committee is a sub-committee of the Audit Committee. The committee's purpose is to review the reports of the independent reserves auditors pursuant to Canadian regulations which require that the Board discuss the reserves reports with the independent reserves auditors or delegate authority to a reserves committee comprised of at least two non-Executive Directors. The committee is chaired by Steven Theede and its other member is Ian Vann. The committee meets at least once a year prior to publication of the annual results.

Remuneration and Compensation Committee

The Remuneration and Compensation Committee meets regularly to consider all material elements of remuneration policy, the remuneration and incentivisation of Executive Directors and senior management and to make recommendations to the Board on the framework for executive remuneration and its cost. The role of the Remuneration and Compensation Committee is to keep under review the remuneration policies to ensure that Serica attracts, retains and motivates the most qualified talent who will contribute to the long-term success of the Company.

The committee met three times in 2013 and proposes to meet at least three times during the next financial year. In addition, written resolutions of the committee are passed from time to time particularly in relation to routine matters such as the allotment of shares pursuant to share option exercises as well as to record formally decisions of the committee reached outside the scheduled meetings.

The committee is composed of the Chairman and two non-Executive Directors all of whom are independent (other than as described in "The Board and its Committees" above). The Remuneration and Compensation Committee is chaired by Steve Theede and its other members are Neil Pike and Antony Craven Walker.

Health, Safety and Environmental Committee

The Health, Safety and Environmental Committee is responsible for matters affecting occupational health, safety and the environment, including the formulation of a health, safety and environmental policy.

The committee met three times in 2013 and proposes to meet at least three times during the next financial year. The committee is chaired by Ian Vann and its other members are Mitch Flegg and Antony Craven Walker.

Directors' attendance at meetings

The Board generally has one scheduled Board meeting per month over the course of the financial year. Additional meetings are held depending upon opportunities or issues to be dealt with by the Company from time to time. The non-Executive Directors hold informal meetings during the course of the year at which members of management are not in attendance.

The following changes were made to the Board Committees during the course of the year:

- Mr Harris appointed as a member of the Audit Committee on 28th February 2013.
- Mr Craven Walker appointed as a member of the HSE Committee on 28th February 2013.
- Mr Vann appointed as a member of the Corporate Governance and Nomination Committee on 25th April 2013.

The directors' attendance at scheduled Board meetings and Board committees during 2013 is detailed in the table below:

Director	Board	Audit	Remuneration and Compensation	Corporate Governance and Nomination	HSE	Reserves
A Craven Walker (Chairman)	12*	-	3	3	2	-
CJ Hearne (CFO)	12	-	-	-	-	-
P Sadler (Business Development Director - resigned 27th June 2013)	5	-	-	-	1	1
M Flegg (COO)	12	-	-	-	3	-
N Pike	12	4*	3	3*	-	-
S Theede	11	3	3*	-	-	1*
I Vann	12	-	-	1	3*	1
J Harris	12	3	-	-	-	-
Total meetings	12	4	3	3	3	1

Notes:
1. The Chairman and non-executive directors attended a number of meetings of committees of which they were not members during the course of the year at the invitation of the committee chairman.

* Chairman

Janette Davies
Company Secretary
9 April 2014

DIRECTORS' BIOGRAPHIES

Antony Craven Walker
Chairman and interim Chief Executive

Tony Craven Walker started his career with BP and has been a leading figure in the British independent oil industry since the early 1970s. He founded two British independent oil companies, Charterhouse Petroleum, where he held the post of Chief Executive, and Monument Oil and Gas, where he held the post of Chief Executive and later became Chairman. He was also a founder member of BRINDEX (Association of British Independent Oil Exploration Companies). He was appointed Chairman of Serica in 2004 and following the retirement of Paul Ellis in April 2011, is currently acting as interim Chief Executive.

Christopher Hearne
Finance Director

Chris Hearne joined Serica from Intrepid Energy, a leading independent exploration and production company in the North Sea, where he was responsible for corporate finance for eight years. In this capacity, he contributed to the growth of Intrepid Energy from a start-up company to its sale for over US$1 billion. Prior to joining Serica he worked as an investment banker with Lehman Brothers and Robert Fleming. He was appointed to the Board as Finance Director of Serica in 2005.

Mitchell Flegg
Chief Operating Officer

Mitch Flegg has over 32 years of industry experience starting with Schlumberger and then with Enterprise Oil, (initially as a Petrophysicist) where he became responsible for drilling related operations for wells drilled in UK, Australia, Cambodia, Vietnam, Ireland, Romania and Bulgaria. After the takeover by Shell he worked on the implementation of new technology in well engineering before moving into asset management. Mitch joined Serica in 2006 and has been 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 of Serica in September 2012.

Neil Pike
Non-Executive Director

Neil Pike has been involved in the global petroleum business as a financier since joining the energy department at Citibank in 1975 until joining the board of Serica. Neil remained an industry specialist with Citibank throughout his career and was closely involved in the development of specialised oil field finance. Latterly he was responsible for Citibank's relationships with the oil and gas industry worldwide. He was appointed to the Board of Serica in 2004.

Ian Vann
Non-Executive Director

Ian Vann was employed by BP from 1976, and directed and led BP's global exploration efforts from 1996 until his retirement in January 2007. He was appointed to the executive leadership team of the Exploration & Production Division of BP in 2001, initially as Group Vice President, Technology and later as Group Vice President, Exploration and Business Development. He was appointed to the Board of Serica in 2007.

Steven Theede
Non-Executive Director

Steven Theede held senior management positions with Conoco, later ConocoPhillips, and in 2000 was appointed President, Exploration and Production for Europe, Russia and the Caspian region. In 2003 he joined Yukos Oil Company and became its Chief Executive Officer in July 2004, a position he held until August 2006. He was appointed to the Board of Serica in 2007.

Jeffrey Harris
Non-Executive Director

Jeffrey Harris founded Global Reserve Group LLC in 2012 following a twenty-nine year career with Warburg Pincus, during which period he invested in and advised companies in the industrial, consumer, technology and energy sectors. Jeffrey has served on the board of directors of over thirty companies, including twelve publicly-traded entities. He is past chairman of the National Venture Capital Association and an adjunct professor at the Columbia University Graduate School of Business where he teaches courses on venture capital, and entrepreneurship and innovation. He was appointed to the Board of Serica in December 2012.

Directors' responsibilities statement in relation to the Group and Company financial statements

The Directors are responsible for preparing the Strategic Report, the Director's Report and financial statements in accordance with applicable United Kingdom law and regulations and those International Financial Reporting Standards as adopted by the European Union.

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 International Financial Reporting Standards as adopted by the European Union. Under United Kingdom company law the directors have elected to prepare the Parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and the profit or loss of the company for that period.

In preparing those Group and Company financial statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group and Company has complied with IFRSs, 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 IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance; and
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

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

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

Building a better working world

Independent Auditor's report to the members of Serica Energy plc

We have audited the financial statements of Serica Energy plc for the year ended 31 December 2013 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- 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 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

Ernst & Young LLP

Justine Belton, (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

09 April 2014

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

	Notes	**2013 US$000**	* restated 2012 US$000
Continuing operations			
Sales revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Pre-licence costs		(330)	(331)
E&E and other asset write-offs		(299)	(10,462)
Administrative expenses		(4,458)	(5,274)
Foreign exchange gain		341	180
Share-based payments	25	(252)	(570)
Depreciation	6	(109)	(341)
Operating loss before net finance revenue and tax		(5,107)	(16,798)
Gain on disposal	13	-	1,023
Finance revenue	9	16	12
Finance costs	10	(38)	(615)
Loss before taxation		(5,129)	(16,378)
Taxation charge for the year	11 a)	-	-
Loss for the year from continuing operations		(5,129)	(16,378)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	4	121	(8,330)
Loss for the year		(5,008)	(24,708)
Loss per ordinary share - EPS			
Basic and diluted EPS on continuing operations (US$)	12	(0.03)	(0.09)
Basic and diluted EPS on loss for the year (US$)	12	(0.03)	(0.14)

* restated for discontinued operations – see note 4

Group Statement of Comprehensive Income

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

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

	Note	Group **2013** **US$000**	2012 US$000	Company **2013** **US$000**	2012 US$000
Non-current assets					
Exploration & evaluation assets	13	74,609	66,880	-	-
Property, plant and equipment	14	-	1,145	-	-
Investments in subsidiaries	15	-	-	-	13,830
Other receivables	16	1,293	1,706	-	-
		75,902	69,731	-	13,830
Current assets					
Inventories	17	258	481	-	-
Trade and other receivables	18	3,851	8,941	98,148	111,768
Financial assets	18	420	412	420	412
Cash and cash equivalents	19	26,062	22,345	25,459	21,424
		30,591	32,179	124,027	133,604
TOTAL ASSETS		106,493	101,910	124,027	147,434
Current liabilities					
Trade and other payables	20	(4,417)	(11,677)	(959)	(1,080)
Provisions	21	-	(1,601)	-	-
TOTAL LIABILITIES		(4,417)	(13,278)	(959)	(1,080)
NET ASSETS		102,076	88,632	123,068	146,354
Share capital	23	227,958	209,758	192,686	174,486
Merger reserve	15	-	-	-	4,322
Other reserve		20,297	20,045	20,297	20,045
Accumulated deficit		(146,179)	(141,171)	(89,915)	(52,499)
TOTAL EQUITY		102,076	88,632	123,068	146,354

Approved by the Board on 9 April 2014

Antony Craven Walker
Chief Executive Officer

Christopher Hearne
Finance Director

Serica Energy plc
Statement of Changes in Equity
For the year ended 31 December 2013

Group

	Share capital US$000	Other reserve US$000	Accum'd deficit US$000	Total US$000
At 1 January 2012	207,702	19,475	(116,463)	110,714
Loss for the year	-	-	(24,708)	(24,708)
Total comprehensive income	-	-	(24,708)	(24,708)
Share-based payments	-	570	-	570
Proceeds on exercise of options	56	-	-	56
Issue of ordinary shares	2,000	-	-	2,000
At 31 December 2012	209,758	20,045	(141,171)	88,632
Loss for the year	-	-	(5,008)	(5,008)
Total comprehensive income	-	-	(5,008)	(5,008)
Share-based payments	-	252	-	252
Issue of ordinary shares	19,525	-	-	19,525
Fees from issue of shares	(1,325)	-	-	(1,325)
At 31 December 2013	227,958	20,297	(146,179)	102,076

Company

	Share capital US$000	Merger reserve US$000	Other reserve US$000	Accum'd deficit US$000	Total US$000
At 1 January 2012	172,430	4,322	19,475	(49,535)	146,692
Loss for the year	-	-	-	(2,964)	(2,964)
Total comprehensive income	-	-	-	(2,964)	(2,964)
Proceeds on exercise of options	56	-	-	-	56
Share-based payments	-	-	570	-	570
Issue of ordinary shares	2,000	-	-	-	2,000
At 31 December 2012	174,486	4,322	20,045	(52,499)	146,354
Loss for the year	-	-	-	(41,738)	(41,738)
Total comprehensive income	-	-	-	(41,738)	(41,738)
Share-based payments	-	-	252	-	252
Issue of ordinary shares	19,525	-	-	-	19,525
Fees from issue of shares	(1,325)	-	-	-	(1,325)
Transfers	-	(4,322)	-	4,322	-
At 31 December 2013	192,686	-	20,297	(89,915)	123,068

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

	Group **2013** **US$000**	2012 US$000	Company **2013** **US$000**	2012 US$000
Operating activities:				
Loss for the year	(5,008)	(24,708)	(41,738)	(2,964)
Adjustments to reconcile loss for the year to net cash flow from operating activities:				
Net finance costs	28	621	22	605
Profit on disposal	-	(1,023)	-	-
Depreciation	109	341	-	-
Depletion and amortisation	1,036	13,116	-	-
Asset write-offs	299	10,462	-	-
Impairment	-	4,361	40,000	-
Share-based payments	252	570	252	570
Other non-cash movements	(310)	98	(345)	(141)
Decrease in trade and other receivables	4,570	4,051	204	263
Decrease in inventories	24	17	-	-
(Decrease)/increase in trade and other payables	(2,108)	(3,600)	(212)	278
Use of provisions	(1,607)	-	-	-
Cash generated from operations	(2,715)	4,306	(1,817)	(1,389)
Taxation paid	-	(302)	-	-
Net cash (out)/inflow from operations	(2,715)	4,004	(1,817)	(1,389)
Investing activities:				
Interest received	16	12	16	8
Purchase of property, plant and equipment	-	(690)	-	-
Purchase of E&E assets	(13,094)	(5,816)	-	-
Cash inflow from disposals	933	5,250	-	-
Funding provided to Group subsidiaries	-	-	(12,762)	-
Funds from Group subsidiaries	-	-	-	4,036
Net cash flow from investing activities	(12,145)	(1,244)	(12,746)	4,044
Financing activities:				
Gross proceeds from issue of shares	19,525	-	19,525	-
Fees from issue of shares	(1,325)	-	(1,325)	-
Finance costs paid	(38)	(615)	(38)	(613)
Proceeds on exercise of options	-	56	-	56
Net cash flow from financing activities	18,162	(559)	18,162	(557)
Net increase in cash and cash equivalents	3,302	2,201	3,599	2,098
Effect of exchange rates on cash and cash equivalents	415	198	436	184
Cash and cash equivalents at 1 January	22,345	19,946	21,424	19,142
Cash and cash equivalents at 31 December	26,062	22,345	25,459	21,424

Serica Energy plc

Notes to the Financial Statements

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

The Group's and Company's financial statements for the year ended 31 December 2013 were authorised for issue by the Board of Directors on 9 April 2014 and the balance sheets were signed on the Board's behalf by Antony Craven Walker and Chris Hearne. Serica Energy plc is a public limited company incorporated and domiciled in England & Wales. The principal activity of the Company and the Group is to identify, acquire and subsequently exploit oil and gas reserves. Its current activities are located in the United Kingdom, Ireland, Namibia and Morocco. The Company's ordinary shares are traded on AIM and the TSX.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU as they apply to the financial statements of the Group for the year ended 31 December 2013. The Company's financial statements have been prepared in accordance with IFRS as adopted by the EU as they apply to the financial statements of the Company for the year ended 31 December 2013 and as applied in accordance with the provisions of the Companies Act 2006. The Group's financial statements are also prepared in accordance with IFRS as issued by the IASB. The principal accounting policies adopted by the Group and by the Company are set out in note 2.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes. The deficit dealt with in the financial statements of the parent Company was US$41,738,000 (2012: US$2,964,000).

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

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 2013.

The Group and Company financial statements have been prepared on a historical cost basis and are presented in US dollars. All values are rounded to the nearest thousand dollars (US$000) except when otherwise indicated.

Going Concern

The financial position of the Group, its cash flows and capital commitments are described in the Financial Review above. Although the Group no longer benefits from sales revenue generated from its interest in the Kambuna field, following the capital raising of US$18.2 million (net of expenses) which completed in November 2013, the Group held cash and cash equivalents of US$26.1 million as at 31 December 2013.

The Directors are required to consider the availability of resources to meet the Group and Company's liabilities for the foreseeable future. Since the year end the Group has paid outstanding commitments of US$2.8 million from the recent Foum Draa exploration well in Morocco. It will also use these funds to pay its share of drilling costs over the contractual US$50 million cap on the Sidi Moussa well in Morocco, which is expected to spud in Q3 2014. The Group's planned exploration well on the Doyle prospect in 2015 is also subject to a capped carry, which is not currently forecast to be exceeded. Any share of costs over the carry would not be significant and could be satisfied from current cash balances.

The cash in place will cover other geological and geophysical, exploration, technical and administrative costs associated with its ongoing business in the short to medium term. In particular, it also provides balance sheet support to help achieve infrastructure access and project sanction for the Columbus field, and covers pre-drilling work in Namibia. When the final decision to proceed with the Columbus development is made, the Group would use alternative means of finance to fund its share of development costs.

The Group has a record of prudent financial management with particular success in the raising of capital through farm down and will seek to continue this strategy.

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 annual financial statements.

Use of judgement and estimates and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments 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 key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognised in the financial statements are: the assessment of commercial reserves, the impairment of the Group and Company's assets (including oil & gas development assets and Exploration and Evaluation "E&E" assets) and share-based payment costs.

Assessment of commercial reserves
Management is required to assess the level of the Group's commercial reserves together with the future expenditures to access those reserves, which are utilised in determining the amortisation and depletion charge for the period and assessing whether any impairment charge is required. The Group employs independent reserves specialists who periodically assess the Group's level of commercial reserves by reference to data sets including geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Group's assets. In addition the Group undertakes its own assessment of commercial reserves and related future capital expenditure by reference to the same datasets using its own internal expertise.

Impairment
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 management expects to fund significant further expenditure in respect of a licence and whether the recoverable amount may not cover the carrying value of the assets. For development and production assets judgement is involved when determining whether there have been any significant changes in the Group's oil and gas reserves.

The Group determines whether E&E assets are impaired at an asset level and in regional cash generating units ('CGUs') when facts and circumstances suggest that the carrying amount of a regional CGU may exceed its recoverable amount. As recoverable amounts are determined based upon risked potential, or where relevant, discovered oil and gas reserves, this involves estimations and the selection of a suitable pre-tax discount rate relevant to the asset in question. The calculation of the recoverable amount of oil and gas development properties involves estimating the net present value of cash flows expected to be generated from the asset in question. Future cash flows are based on assumptions on matters such as estimated oil and gas reserve quantities and commodity prices. The discount rate applied is a pre-tax rate which reflects the specific risks of the country in which the asset is located.

Management is required to assess the carrying value of investments in subsidiaries in the parent company balance sheet for impairment by reference to the recoverable amount. This requires an estimate of amounts recoverable from oil and gas assets within the underlying subsidiaries (see note 15).

Share-based payment costs
The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgments relating to the continuing participation of employees (see note 25).

Basis of Consolidation

The consolidated financial statements include the accounts of Serica Energy plc (the "Company") and its wholly owned subsidiaries Serica Holdings UK Limited, Serica Energy Holdings B.V., Serica Energy (UK) Limited, Serica Glagah Kambuna B.V., Serica Sidi Moussa B.V., Serica Foum Draa B.V., Serica Energy Slyne B.V., Serica Energy Rockall B.V., Serica Namibia B.V., Serica Energy Corporation, Asia Petroleum Development Limited, Petroleum Development Associates (Asia) Limited, Petroleum Development Associates Lematang Limited, Serica Energia Iberica S.L., Asia Petroleum Development (Asahan) Limited and Asia Petroleum Development (Biliton) Limited. Together these comprise the "Group".

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

Foreign Currency Translation

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

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

Business Combinations and Goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in administrative expenses.

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

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units, or groups of cash generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, or groups of cash generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Joint Arrangements

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group conducts petroleum and natural gas exploration and production activities jointly with other venturers who each have direct ownership in and jointly control the operations of the ventures. These are classified as jointly controlled operations and the financial statements reflect the Group's share of assets and liabilities in such activities. Income from the sale or use of the Group's share of the output of jointly controlled operations, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group and their amount can be measured reliably.

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

Exploration and Evaluation Assets

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

Pre-licence Award Costs

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

Exploration and Evaluation (E&E)

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

E&E assets are not amortised prior to the conclusion of appraisal activities but are assessed for impairment at an asset level and in regional CGUs when facts and circumstances suggest that the carrying amount of a regional cost centre may exceed its recoverable amount. Recoverable amounts are determined based upon risked potential, and where relevant, discovered oil and gas reserves. When an impairment test indicates an excess of carrying value compared to the recoverable amount, the carrying value of the regional CGU is written down to the recoverable amount in accordance with IAS 36. Such excess is expensed in the income statement.

Costs of licences and associated E&E expenditure are expensed in the income statement if licences are relinquished, or if management do not expect to fund significant future expenditure in relation to the licence.

The E&E phase is completed when either the technical feasibility and commercial viability of extracting a mineral resource are demonstrable or no further prospectivity is recognised. At that point, if commercial reserves have been discovered, the carrying value of the relevant assets, net of any impairment write-down, is classified as an oil and gas property within property, plant and equipment, and tested for impairment. If commercial reserves have not been discovered then the costs of such assets will be written off.

Asset Purchases and Disposals

When a commercial transaction involves the exchange of E&E assets of similar size and characteristics, no fair value calculation is performed. The capitalised costs of the asset being sold are transferred to the asset being acquired. Proceeds from a part disposal of an E&E asset, including back-cost contributions are credited against the capitalised cost of the asset, with any excess being taken to the income statement as a gain on disposal.

Farm-ins

In accordance with industry practice, the Group does not record its share of costs that are 'carried' by third parties in relation to its farm-in agreements in the E&E phase. Similarly, while the Group has agreed to carry the costs of another party to a Joint Operating Agreement ("JOA") in order to earn additional equity, it records its paying interest that incorporates the additional contribution over its equity share.

Property, Plant and Equipment – Oil and gas properties

Capitalisation

Oil and gas properties are stated at cost, less any accumulated depreciation and accumulated impairment losses. Oil and gas properties are accumulated into single field cost centres and represent the cost of developing the commercial reserves and bringing them into production together with the E&E expenditures incurred in finding commercial reserves previously transferred from E&E assets as outlined in the policy above. The cost will include, for qualifying assets, 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 recognised proved and probable reserves. Changes in reserve quantities and cost estimates are recognised prospectively from the last reporting date.

The Kambuna field was depleted using proved and probable entitlement reserves until 30 June 2011. However, given the relatively short remaining field life, the Company then concluded that it was appropriate to use proved reserves as a basis for the specific depletion calculation for the Kambuna field asset with effect from 1 July 2011. Following the advancement of field shut-in plans and handover arrangements with Pertamina in 2H 2013, the Company concluded that, with effect from 1 October 2012, it was appropriate to use its best estimates of remaining production quantities as a basis to calculate the reserves for specific depletion and impairment calculations for the Kambuna field. The Kambuna property was fully depleted in July 2013.

Impairment

A review is performed for any indication that the value of the Group's development and production assets may be impaired.

For oil and gas properties when there are such indications, an impairment test is carried out on the cash generating unit. Each cash generating unit is identified in accordance with IAS 36. Serica's cash generating units are those assets which generate largely independent cash flows and are normally, but not always, single development or production areas. If necessary, impairment is charged through the income statement if the capitalised costs of the cash generating unit exceed the recoverable amount of the related commercial oil and gas reserves.

Asset Disposals

Proceeds from the entire disposal of a development and production asset, or any part thereof, are taken to the income statement together with the requisite proportional net book value of the asset, or part thereof, being sold.

Decommissioning

Liabilities for decommissioning costs are recognised when the Group has an obligation to dismantle and remove a production, transportation or processing facility and to restore the site on which it is located. Liabilities may arise upon construction of such facilities, upon acquisition or through a subsequent change in legislation or regulations. The amount recognised is the estimated present value of future expenditure determined in accordance with local conditions and requirements. A corresponding tangible item of property, plant and equipment equivalent to the provision is also created.

Any changes in the present value of the estimated expenditure is added to or deducted from the cost of the assets to which it relates. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. The unwinding of the discount on the decommissioning provision is included as a finance cost.

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.

Inventories

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

Investments

In its separate financial statements the Company recognises its investments in subsidiaries at cost less any provision for impairment.

Financial Instruments

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

Financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial asset are capitalised unless they relate to a financial asset classified at fair value through profit and loss in which case transaction costs are expensed in the income statement.

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.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost, using the effective interest rate method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses are recognised in the income statement when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

Cash and cash equivalents

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

Financial liabilities

Financial liabilities include interest bearing loans and borrowings, and trade and other payables.

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.

Equity

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

Leases

Operating lease payments are recognised as an operating expense in the income statement on a straight line basis over the lease term.

Revenue Recognition

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

Finance Revenue

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

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.

Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time the assets are substantially ready for their intended use i.e when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amounts capitalised represent the actual borrowing costs incurred. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Share-Based Payment Transactions

Employees (including 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. Equity awards cancelled are treated as vesting immediately on the date of cancellation, and any expense not recognised for the award at that date is recognised in the income statement. Estimated associated national insurance charges are expensed in the income statement on an accruals basis.

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

Income Taxes

Current tax, including UK corporation tax and overseas corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the liability method and tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Provision is made for temporary differences at the balance sheet date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is provided on all temporary differences except for:

- temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the income statement nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are presented net only if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Earnings Per Share

Earnings per share is calculated using the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated based on the weighted average number of ordinary shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all relevant potentially dilutive shares to ordinary shares. It is assumed that any proceeds obtained on the exercise of any options and warrants would be used to purchase ordinary shares at the average price during the period. Where the impact of converted shares would be anti-dilutive, these are excluded from the calculation of diluted earnings.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2013 unless otherwise stated. The adoption of the standards or interpretations is described below:

i) IAS 1 Financial Statement presentation – Presentation of items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be classified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment became effective for annual periods beginning on or after 1 July 2012.

ii) IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. The application of IFRS 10 and IAS 27 did not impact the Group's accounting for its interests in subsidiaries.

iii) IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of IFRS 11 did not impact on the financial position or performance of the Group.

iv) IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required but the application of IFRS 12 did not impact on the financial position or performance of the Group.

v) IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted, and also requires additional disclosures. Application of IFRS 13 hasnot materially impacted the fair value measurements of the Group.

Standards issued but not yet effective

Certain standards or interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is expected to be effective for annual periods beginning on or after 1 January 2018.

Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets
The amendment addressed certain unintended consequences arising from consequential amendments made to IAS 36 when IFRS 13 was issued. The amendment is effective for annual periods beginning on or after 1 January 2014.

The Directors anticipate the adoption of the standards and interpretations listed above, or any others in issue but not yet adopted, will not have a material impact on the Financial Statements of the Group.

3. Segment 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 years ended 31 December 2013 and 2012. Costs associated with the UK corporate centre are included in the UK & Ireland reportable segment. Reportable information in respect of the Group's interest in the producing Kambuna field in Indonesia is disclosed as a separate segment, with income statement information for the Kambuna field in Indonesia additionally classified as 'discontinued'.

Year ended 31 December 2013	UK & Ireland	Africa	Continuing Total	Discontinued
	US$000	US$000	US$000	US$000
Revenue	-	-	-	4,032
Other expenses	(4,369)	-	(4,369)	(2,869)
Pre-licence costs	(57)	(273)	(330)	-
Asset write-offs	(299)	-	(299)	-
Depletion	-	-	-	(1,036)
Depreciation	(109)	-	(109)	-
Operating and segment (loss)/profit	(4,834)	(273)	(5,107)	127
Finance revenue			16	-
Finance costs			(38)	(6)
Loss before taxation			(5,129)	121
Taxation charge for the year			-	-
Loss after taxation			(5,129)	121

	UK & Ireland	Africa	Kambuna	Total
	US$000	US$000	US$000	US$000
Other segment information:				
Exploration and evaluation assets	70,372	4,237	-	74,609
Other assets	12,403	89	3,508	16,000
Unallocated assets				15,884
Total assets	82,775	4,326	3,508	106,493
Segment liabilities	(1,529)	(1,864)	(1,024)	(4,417)
Total liabilities	(1,529)	(1,864)	(1,024)	(4,417)
Capital expenditure 2013:				
Exploration and evaluation assets	4,429	3,431	-	7,860

Year ended 31 December 2012	UK & Ireland US$000	Africa US$000	Continuing Total US$000	*restated Discontinued US$000
Revenue	-	-	-	15,404
Continuing operations				
Other expenses	(5,664)	-	(5,664)	(6,239)
Pre-licence costs	(118)	(213)	(331)	-
Asset write-offs	(10,462)	-	(10,462)	-
Impairment	-	-	-	(4,361)
Depletion	-	-	-	(13,116)
Depreciation	(341)	-	(341)	-
Operating loss and segment loss	(16,585)	(213)	(16,798)	(8,312)
Profit on disposal			1,023	-
Finance revenue			12	-
Finance costs			(615)	(18)
Loss before taxation			(16,378)	(8,330)
Taxation charge for the year			-	-
Loss after taxation			(16,378)	(8,330)

	UK & Ireland US$000	Africa US$000	Kambuna US$000	Total US$000	
Other segment information:					
Exploration and evaluation assets	66,075	805	-	66,880	-
Plant, property and equipment	109	-	1,036	1,145	-
Other assets	16,960	1,831	7,344	26,135	-
Unallocated assets				7,750	-
Total assets	83,144	2,636	8,380	101,910	-
Segment liabilities	(8,639)	(979)	(3,660)	(13,278)	-
Total liabilities	(8,639)	(979)	(3,660)	(13,278)	-
Capital expenditure 2012:					
Exploration and evaluation assets	11,438	1,326	-	12,764	-
Property, plant and equipment	-	-	690	690	-

* restated for discontinued operations – see note 4

Unallocated assets and liabilities comprise financing items (including cash on deposit).

Information on major customers is provided in note 4.

4. Discontinued Operation

During 2012 and 2013, Serica's sole remaining interest in Indonesia was its 25% interest in the Glagah Kambuna Technical Assistance Contract ("TAC"). The TAC covers an area of approximately 380 square kilometres offshore North Sumatra and contains the Kambuna gas field. Throughout the first half of 2013 the Company continued to benefit from cash flows from field production but, in July 2013, the field reached the end of its economic life and was shut-in. The partnership agreed handover arrangements with the Indonesian authorities which involved securing the three wells and wellhead structure. Following the completion of the agreed decommissioning procedures in Q4 2013, the TAC was formally terminated on 31 December 2013 and the facilities handed over to Pertamina.

Following the developments of the Kambuna business segment in the second half of 2013, the financial results of the Kambuna field are now disclosed as 'discontinued' operations and separate from the results of the continuing business segments. The 2012 results from the Kambuna business segment have therefore been restated accordingly.

Results of discontinued operations

The results of the discontinued operations are presented below:

	Note	Year ended 31 December 2013 US$000	Year ended 31 December 2012 US$000
Sales revenue		4,032	15,404
Cost of sales		(3,905)	(19,330)
Gross profit/(loss)		127	(3,926)
Impairment of fixed assets	14	-	(4,361)
Administrative expenses		-	(25)
Operating profit/(loss)		127	(8,312)
Finance costs		(6)	(18)
Profit/(loss) before taxation		121	(8,330)
Taxation charge for the year		-	-
Profit/(loss) for the year		121	(8,330)
Earnings per ordinary share (EPS)		US$	US$
Basic and diluted EPS on result in year		(0.00)	(0.05)

The earnings per ordinary share for the discontinued operations is derived from the net profit attributable to equity holders of the parent from discontinued operations of US$121,000 (2012: loss of US$8,330,000), divided by the weighted average number of ordinary shares for both basic and diluted amounts as disclosed in note 12.

Sales Revenue

	2013 **US$000**	2012 US$000
Gas sales	1,653	7,966
Condensate sales	2,379	7,438
	4,032	15,404

Gas sales revenue in 2012 and 2013 arose from three customers, the most significant being PLN (2013: US$1,071,000, 2012: US$4,592,000) and Pertiwi (2013: US$582,000, 2012: US$2,538,000). All condensate sales revenue in 2012 and 2013 was from one customer, PLN.

Cost of Sales

	2013 **US$000**	2012 US$000
Operating costs	2,587	6,232
Depletion (see note 14)	1,036	13,116
Movement in inventories of oil	282	(18)
	3,905	19,330

Finance Costs

Finance costs consist entirely of the unwinding of a discount on the Kambuna decommissioning provision (see note 21).

Other

There are no taxation components within discontinued operations.

The net cash flows attributable to the disposal group in discontinued operations are as follows:

Year ended 31 December:	2013 US$000	2012 US$000
Operating cash inflows	2,351	10,808
Investing cash outflows	-	(690)
Financing cash outflows (1)	-	-
Net cash inflow	2,351	10,118

(1) Repayments of loans and borrowings are classified as corporate cash outflows and excluded from discontinued operations.

5. Analysis of Expenses by Function

	2013 US$000	*restated 2012 US$000
Administrative	4,458	5,274
Asset write-offs	299	10,462
Other	350	1,062
	5,107	16,798

* restated for discontinued operations – see note 4

6. Group Operating Loss

	2013 US$000	*restated 2012 US$000
This is stated after charging:		
Depreciation of other property, plant and equipment	109	341
Total depreciation, depletion and amortisation expense	109	341

Depletion of oil and gas properties is classified with cost of sales under discontinued operations.

Operating lease rentals (minimum lease payments):		
- Land and buildings	524	531
- Other	21	21
Total lease payments recognised as an expense	545	552

* restated for discontinued operations – see note 4

7. Auditor's Remuneration

	2013 US$000	2012 US$000
Audit of the Group accounts	102	101
Audit of the Company's accounts	34	34
Audit of accounts of Company's subsidiaries	20	19
Total audit fees	156	154

	US$000	US$000
Other fees to auditor:		
Taxation advisory services	-	7
	-	7

Fees paid to Ernst & Young LLP and its associates for non-audit services are not disclosed in the individual accounts of the Company as Group financial statements are prepared which are required to disclose such fees on a consolidated basis.

8. Staff Costs and Directors' Emoluments

a) Staff Costs

The average monthly number of persons employed by the Group during the year was:	**2013 No.**	2012 No.
Management	3	4
Technical	3	3
Finance and administration	4	4
	10	11
	US$000	US$000
Staff costs for the above persons:		
Wages and salaries	2,630	2,939
Social security costs	347	384
Other pension costs	170	209
Share-based long-term incentives (including related NI cost)	234	588
	3,381	4,120
Staff costs for key management personnel:		
Short-term employee benefits	2,092	2,134
Post-employment benefits	88	91
Share-based payments	128	264
	2,308	2,489

b) Directors' Emoluments

The emoluments of the individual Directors were as follows. Other than fees paid to Jeffrey Harris in US$, all sums are paid in £ sterling but are converted at an exchange rate of £1=US$1.564 (2012: £1=US$1.585) to US$ being the reporting currency for the purposes of the Company's accounts.

	Salary and fees	Bonus	Pension	Benefits in kind	**Total**	Total
	2013	2013	2013	2013	**2013**	2012
	US$000	US$000	US$000	US$000	**US$000**	US$000
A Craven Walker (1)	519	-	-	-	519	602
C Hearne	404	70	40	8	522	453
P Sadler (2)	111	-	8	-	119	509
M Flegg (3)	404	70	40	10	524	176
N Pike	86	-	-	-	86	81
I Vann	70	-	-	-	70	65
S Theede	70	-	-	-	70	65
J Harris (4)	64	-	-	-	64	-
J Cartwright (5)	-	-	-	-	-	30
	1,728	140	88	18	1,974	1,981

Note (1) Mr Craven Walker has acted as Interim CEO since 10 April 2011. At the request of Mr Craven Walker, the fees proposed for 2011, amounting to £150,000 (US$238,000), were agreed to be payable contingent upon certain strategic milestones being achieved by the Company. These milestones, which related to the securing of certain asset sales, acreage awards, farm-outs and progress with field developments, were achieved by early 2012. The fees for the period from 10 April 2011 to that date were therefore paid in 2012 and are included in the 2012 comparative totals in the table above. Since 1 May 2012, Mr Craven Walker has received a combined fee in respect of services as Chairman and Interim CEO pending the appointment of a successor to the CEO position. Since 1 January 2013 this fee has included a provision for travel allowance. He is not entitled to any other award such as share options, share scheme, bonus, pension or medical insurance.

Note (2) Peter Sadler resigned on 27 June 2013

Note (3) Mitch Flegg was appointed on 5 September 2012

Note (4) Jeffrey Harris was appointed on 20 December 2012

Note (5) Jonathan Cartwright resigned on 28 June 2012

Number of Directors securing benefits under defined contribution schemes during the year	3	3
Number of Directors who exercised share options	-	-

	US$000	US$000
Aggregate gains made by Directors on the exercise of options	-	-

The Group defines key management personnel as the Directors of the Company. There are no transactions with Directors other than their remuneration as disclosed above.

9. Finance Revenue

	2013	2012
	US$000	US$000
Bank interest receivable	16	8
Other interest receivable	-	4
Total finance revenue	16	12

10. Finance Costs

		*restated
	2013	2012
	US$000	US$000
Bank loans	37	615
Other interest payable	1	-
Total finance costs	38	615

* restated for discontinued operations - see note 4

Bank loan finance costs include interest payable, unutilised facility fees and an amortisation charge of associated issue costs. The unwinding of a discount on decommissioning provisions is classified within finance costs under 'discontinued' operations.

11. Taxation

		2013 US$000	2012 US$000
a)	Tax charged/(credited) in the income statement		
	Charge for the year	-	-
	Adjustment in respect of prior years	-	-
	Total current income tax charge	-	-
	Deferred tax		
	Origination and reversal of temporary differences in the current year	-	-
	Adjustment in respect of prior years	-	-
	Adjustment to reflect tax rate changes in recognition of deferred tax	-	-
	Total deferred tax (credit)	-	-
	Tax charge in the income statement	-	-

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:

	2013 US$000	*restated 2012 US$000
Accounting loss before taxation – continuing operations	(5,129)	(16,378)
Accounting profit/(loss) before taxation – discontinued ops	121	(8,330)
Accounting loss before taxation	(5,008)	(24,708)
Expected tax credit at standard UK corporation tax rate of 23.25% (2012 - 24.5%)	(1,164)	(6,053)
Expenses not deductible for tax purposes	426	432
Unrecognised deferred tax assets	733	6,920
Gain on disposal not chargeable to tax	-	(261)
Different foreign tax rates	5	(1,038)
Tax charge reported in the income statement	-	-

* restated for discontinued operations – see note 4

c) Unrecognised tax losses

The benefit of approximately US$114.7 million (2012: US$110.2 million) of tax losses has not been recognised in these consolidated statements which reflects the extent of the total available UK tax losses that have not been set against a deferred tax liability arising. The Group has UK tax losses of approximately US$175.0 million (2012: US$167.2 million) that are available indefinitely for offset against future trading profits of the companies in which the losses arose. Of this amount US$60.3 million (2012: US$57.0 million) has been set off against taxable temporary differences.

d) Deferred tax

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

	2013	2012
	US$000	US$000
Deferred tax liability:		
Temporary differences on capital expenditure	(37,372)	(35,336)
Temporary difference on decommissioning asset	-	-
Deferred tax liability	(37,372)	(35,336)
Deferred tax asset:		
Temporary difference on future recoverable costs	-	-
Tax losses carried forward	37,372	35,336
Temporary difference on decommissioning provision	-	-
Deferred tax asset	37,372	35,336
Net deferred tax liability	-	-

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

	2013	2012
	US$000	US$000
Deferred tax in the income statement:		
Temporary differences on capital expenditure	2,036	(21)
Temporary difference on future recoverable costs	-	-
Tax losses carried forward	(2,036)	21
Temporary difference on decommissioning asset	-	(396)
Temporary difference on decommissioning provision	-	396
Deferred income tax (credit)	-	-

e) Changes to UK corporation tax legislation

Legislation to reduce the main rate of UK corporation tax to 21% for the year commencing 1 April 2014 and 20% for the year from 1 April 2015 and beyond was enacted in July 2013. The UK corporation tax rate for ring-fenced trading profits remains 62%.

The UK Government proposals to increase the extent to which the Small Field Allowance ("SFA") is available in respect of small developments were enacted in July 2013. The allowance is now extended to fields with reserves of 6.25 million tonnes from the previous threshold of 3.5 million tonnes and the allowance available in respect of a qualifying field is increased from £75m (US$120m) to £150m (US$240m).

f) Unrecognised deferred tax liability

In 2012 and 2013 there are no material temporary differences associated with subsidiaries for which deferred tax liabilities have not been recognised.

g) Company

The Company has US$23.5 million (2012: US$ 22.3 million) of UK corporation tax losses which are not recognised as deferred tax assets.

12. Earnings Per Share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares. As a result of the net loss for the years ended 31 December 2012 and 2013, there is no dilutive effect of the share options in these years.

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

	2013	*restated 2012
	US$000	US$000
Net loss from continuing operations	(5,129)	(16,378)
Net loss attributable to equity holders of the parent	(5,008)	(24,708)

	2013	2012
	'000	'000
Basic weighted average number of shares	191,266	177,743
Diluted weighted average number of shares	191,266	177,743

	2013	2012
	US$	US$
Basic and diluted EPS on loss on continuing operations (US$)	(0.03)	(0.09)
Basic and diluted EPS on loss for the year (US$)	(0.03)	(0.14)

* restated for discontinued operations – see note 4

13. Exploration and Evaluation Assets

Group	Total US$000
Cost:	
1 January 2012	69,083
Additions	12,764
Relinquished licences	(143)
Write offs	(9,664)
Disposals	(5,160)
31 December 2012	66,880
Additions	7,860
Write offs	(131)
31 December 2013	74,609
Provision for impairment:	
1 January 2012 and 1 January 2013	-
Impairment charge for the year	-
31 December 2013	-
Net book value:	
31 December 2013	74,609
31 December 2012	66,880
1 January 2012	69,083

Total asset write-offs expensed in the income statement from continuing operations in 2013 were US$0.3 million (2012: US$10.5 million). This charge comprised minor E&E asset write-offs of US$0.1 million (2012: US$9.7 million, of which US$8.8 million related to the costs incurred on the Spaniards East well in the UK North Sea) and a US$0.2 million charge against obsolete inventory (2012: US$0.6 million). Other 2012 minor write-offs were in respect of relinquished licences.

Disposals of E&E assets in 2012 arose in the first quarter from the farm-out of an interest in the Company's Namibian licence to BP, and in the third quarter from farm-outs of interests in Morocco and the UK. The re-imbursement due for the past costs capitalised as E&E assets is treated as a reduction from the book cost of the asset. The accounting gain of US$1.0 million on disposal recorded in the 2012 income statement relates to the recognition of recovery for those past Namibia costs incurred that had been expensed as pre-licence costs in previous periods.

Company

The Company has no E&E assets.

14. Property, Plant and Equipment

Group	Oil and gas properties US$000	Computer/IT Equipment US$000	Fixtures, Fittings & Equipment US$000	Total US$000
Cost				
1 January 2012	62,598	189	901	63,688
Additions	690	-	-	690
Decommissioning asset	(446)	-	-	(446)
31 December 2012	62,842	189	901	63,932
Additions	-	-	-	-
Disposals *	(62,842)	-	-	(62,842)
31 December 2013	-	189	901	1,090
Depreciation and depletion				
1 January 2012	44,329	149	491	44,969
Charge for the year	13,116	32	309	13,457
Impairment	4,361	-	-	4,361
31 December 2012	61,806	181	800	62,787
Charge for the year	1,036	8	101	1,145
Disposals *	(62,842)	-	-	(62,842)
31 December 2013	-	189	901	1,090
Net book value				
31 December 2013	-	-	-	-
31 December 2012	1,036	8	101	1,145
1 January 2012	18,269	40	410	18,719

*The Kambuna field oil and gas properties were handed over to the Indonesian authorities on 31 December 2013.

Impairment of oil and gas properties

The net book amount of the Group's only producing asset was fully depleted in July 2013 following the cessation of production from the Kambuna field. No annual impairment test on the Group's property, plant and equipment was therefore required as at 31 December 2013.

The Group did perform an annual impairment test as at 31 December 2012. In assessing whether a write-down is required in the carrying value of a potentially impaired item of property, plant and equipment or goodwill, the asset's carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Oil and gas properties included an impairment calculated in accordance with IAS 36 - Impairment of assets, of US$4,361,000 attributed to oil and gas properties determined by estimating the value in use of the assets. This impairment charge is against the Group's only gas condensate producing asset, Glagah Kambuna in Indonesia. The impairment primarily arose following the trigger of a downwards revision to field reserves estimates.

The recoverable amount of Kambuna was determined on a value in use calculation using a discounted cash flow model. The projected cash flows were adjusted for risks specific to the asset and discounted using a pre-tax discount rate. This discount rate is derived from the Group's post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks relating to the region where the cash generating unit is located. In 2012, given the short-term nature of cash flows, no discount or extrapolation rates were used.

The calculation of value in use is most sensitive to the following assumptions; reserves estimates, discount rates and oil prices.

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

Borrowing interest payable costs relating to drilling of development wells, that have been capitalised within oil and gas properties during 2009, prior to the commencement of production, amounted to US$1,200,000, at a weighted average interest of 4.6%.

Company
The Company has no property, plant and equipment.

15. Investments

Company – Investment in subsidiaries	**Total US$000**
Cost:	
1 January 2012	130,684
Increase in investment	2,000
31 December 2012	132,684
Increase in investment	-
31 December 2013	132,684
Provision for impairment:	
1 January 2012 and 1 January 2013	(118,854)
Impairment charge for the year	(13,830)
31 December 2013	(132,684)
Net book amount:	
31 December 2013	-
31 December 2012	13,830
1 January 2012	11,830

In the Company financial statements, the cost of the investment acquired on the Reorganisation (see note 1) 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 US$112,174,000 over the nominal value of shares issued (US$7,475,000) has been credited to a merger reserve. Following the impairment charges recorded in 2010 and 2013 against the Company's investment in subsidiary undertakings, all amounts initially credited to the merger reserve have been eliminated.

The increase in investment of US$2,000,000 during 2012 represents the value of shares issued by Serica Energy plc as part of the consideration paid to NAMCOR (see note 23) for the Company's interests in Namibia which are held by Serica Energy Namibia B.V.

Management has assessed the carrying value of investments in subsidiaries in the parent company balance sheet for impairment by reference to the recoverable amount.

The incremental provisions for impairment arising in 2013 of US$13,830,000 against the investment in subsidiaries, and US$26,170,000 against amounts owed by Group undertakings (see note 18) have been made following a fall in value in certain of the oil and gas assets held by the Company's subsidiary undertakings.

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 2013**	% voting rights and shares held 2012
Serica Holdings UK Ltd	Ordinary	Holding	100	100
Serica Energy Holdings B.V. (i & iii)	Ordinary	Holding	100	100
Serica Energy (UK) Ltd (i)	Ordinary	Exploration	100	100
Serica Sidi Moussa BV (i & iii)	Ordinary	Exploration	100	100
Serica Foum Draa BV (i & iii)	Ordinary	Exploration	100	100
Serica Energy Slyne BV (i & iii)	Ordinary	Exploration	100	100
Serica Energy Rockall BV (i & iii)	Ordinary	Exploration	100	100
Serica Energy Namibia BV (i & iii)	Ordinary	Exploration	100	100
Serica Glagah Kambuna BV (i & iii)	Ordinary	Development	100	100
Serica Energia Iberica SL (i & iv)	Ordinary	Dormant	100	100
Serica Energy Corporation (i & ii)	Ordinary	Dormant	100	100
APD Ltd (i & ii)	Ordinary	Dormant	100	100
APD (Asahan) Ltd (i & ii)	Ordinary	Dormant	100	100
APD (Biliton) Ltd (i & ii)	Ordinary	Dormant	100	100
PDA Asia Ltd (i & ii)	Ordinary	Dormant	100	100
PDA (Lematang) Ltd (i)	Ordinary	Dormant	100	100

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

16. Other Non-current Assets

	Group		**Company**	
	2013 US$000	2012 US$000	**2013 US$000**	2012 US$000
Other receivables	1,293	1,706	-	-

Other receivables are represented by value added tax ("VAT") on Indonesian capital spend, which would be recovered from the Indonesian authorities. Amounts at 31 December 2013 are disclosed net of an impairment of US$427,000 (2012: US$427,000).

17. Inventories

	Group 2013 US$000	2012 US$000	Company 2013 US$000	2012 US$000
Condensate stocks	-	282	-	-
Materials and spare parts	258	199	-	-
	258	481	-	-

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. US$168,000 was expensed in the income statement as an asset write-off against materials and spare parts in 2013 (2012: US$609,000).

18. Other Current Receivables

	Group 2013 US$000	2012 US$000	Company 2013 US$000	2012 US$000
Due within one year:				
Amounts owed by Group undertakings	-	-	97,416	110,824
Trade receivables	1,428	2,099	-	-
Amounts recoverable from JV partners	1,334	3,451	-	-
Back costs recoverable	-	933	-	-
Other receivables	597	2,009	395	611
Prepayments and accrued income	492	449	337	333
Trade and other receivables	3,851	8,941	98,148	111,768
Financial assets	420	412	420	412

Trade receivables at 31 December 2013 arise from one customer, PLN.

None of the Group's receivables are considered impaired but US$749,000 of trade receivables and US$124,000 of other receivables are past due at the date of signing this report. The Directors consider the carrying amount of trade and other receivables approximates to their fair value.

Financial assets entirely relate to restricted cash on deposit with financial institutions securing various guarantees and performance bonds associated with the Group's trading activities. Management considers that there are no unreasonable concentrations of credit risk within the Group or Company. The financial assets disclosed above are not considered past due nor impaired.

At the reporting date the amounts owed by Group undertakings to the Company are disclosed net of an impairment of US$33,509,000 (2012: US$7,339,000) – see note 15.

19. Cash and Short-Term Deposits

	Group 2013 US$000	2012 US$000	Company 2013 US$000	2012 US$000
Cash at bank and in hand	10,178	14,595	9,575	13,674
Short-term deposits	15,884	7,750	15,884	7,750
	26,062	22,345	25,459	21,424

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and 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 credit rating	Group 2013 US$000	2012 US$000	Company 2013 US$000	2012 US$000
HSBC Bank plc	A-1+	8,358	7,929	8,358	7,898
J.P. Morgan Chase	A-1	8,827	7,824	8,827	7,824
Barclays Bank plc	A-1	8,760	6,567	8,273	5,700

For the purposes of the consolidated and Company cash flow statement, cash and cash equivalents comprise the above amounts at 31 December.

20. Trade and Other Payables

	Group 2013 US$000	2012 US$000	Company 2013 US$000	2012 US$000
Current:				
Trade payables	958	7,264	575	505
Other payables	3,459	4,413	384	575
	4,417	11,677	959	1,080

21. Provisions

Provisions for decommissioning and restoration of oil and gas assets are:

	2013 US$000	2012 US$000
At 1 January	1,601	2,029
Decommissioning estimate revisions (see note 14)	-	(446)
Unwinding of discount (see note 4)	6	18
Payments and utilisation of provision	(1,607)	-
At 31 December	-	1,601

The Kambuna field ceased production in July 2013 and the field decommissioning work programme was completed in November 2013. Although no decommissioning provision is recorded as at 31 December 2013 as the work had been completed, certain liabilities arising from the work programme had not been paid at that date and are recorded within trade and other payables.

Any payments made in prior periods into a restricted fund were recognised at the relevant Balance Sheet date as a separate asset within other receivables and not deducted from the gross liability.

22. 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 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 bank loans; given the level of expenditure plans over 2014/15 this is managed in the short-term through selecting treasury deposit periods of one to six 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.

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 US$ cash holdings and other financial instruments relating to its operations. The US$ 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.

Bank loans

In recent years, the Company had access to a three-year US$50 million debt facility, which was arranged in November 2009 with J.P.Morgan plc, Bank of Scotland plc and Natixis as Mandated Lead Arrangers. This facility was principally to refinance the Company's outstanding borrowings on the Kambuna field. It was also originally put in place partly to finance the appraisal and development of the Columbus field and for general corporate purposes.

Although all outstanding amounts under the Company's debt facility were fully repaid in February 2011, the facility was rolled forward until February 2013 whilst the directors reviewed the funding requirements and options available for the Columbus field development. In March 2013, in light of the expected timing requirements for the Company's share of Columbus project development costs, the Company decided to allow the facility to expire. This decision was made in light of other financing options under review and to save ongoing unutilised fee costs.

The facility was secured by first charges over the Group's interests in the Kambuna field in Indonesia and the Columbus field in the UK North Sea and the shares of certain subsidiary companies. This security was released following the expiry of the facility in March 2013.

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 2013

	Within 1 year	**1-2 years**	**2-5 years**	**Total**
Fixed rate	**US$000**	**US$000**	**US$000**	**US$000**
Short-term deposits	15,884	-	-	15,884
Short-term financial assets	420	-	-	420
				16,304

	Within 1 year	**1-2 years**	**2-5 years**	**Total**
Floating rate	**US$000**	**US$000**	**US$000**	**US$000**
Cash	10,178	-	-	10,178
				10,178

Year ended 31 December 2012

	Within 1 year	**1-2 years**	**2-5 years**	**Total**
Fixed rate	**US$000**	**US$000**	**US$000**	**US$000**
Short-term deposits	7,750	-	-	7,750
Short-term financial assets	412	-	-	412
				8,162

	Within 1 year	**1-2 years**	**2-5 years**	**Total**
Floating rate	**US$000**	**US$000**	**US$000**	**US$000**
Cash	14,595	-	-	14,595
				14,595

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

Increase/decrease in interest rate	Effect on (loss) before tax 2013 US$000	Effect on (loss) before tax 2012 US$000
+0.75%	143	169
-0.75%	(143)	(169)

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

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

Company
Year ended 31 December 2013

Fixed rate	**Within 1 year US$000**	**1-2 years US$000**	**2-5 years US$000**	**Total US$000**
Short-term deposits	15,884	-	-	15,884
Short-term financial assets	420	-	-	420
				16,304

Floating rate	**Within 1 year US$000**	**1-2 years US$000**	**2-5 years US$000**	**Total US$000**
Cash	9,575	-	-	9,575
				9,575

Year ended 31 December 2012

Fixed rate	**Within 1 year US$000**	**1-2 years US$000**	**2-5 years US$000**	**Total US$000**
Short-term deposits	7,750	-	-	7,750
Short-term financial assets	412	-	-	412
				8,162

Floating rate	**Within 1 year US$000**	**1-2 years US$000**	**2-5 years US$000**	**Total US$000**
Cash	13,674	-	-	13,674
				13,674

Credit risk

The Group's and Company's exposure to credit risk relating to financial assets arises from the default of a counterparty with a maximum exposure equal to the carrying value as at the balance sheet date. Where Serica operates joint ventures on behalf of partners it seeks to recover the appropriate share of costs from these third parties. The majority of partners in these ventures are well established oil and gas companies. In the event of non payment, operating agreements typically provide recourse through increased venture shares. Cash and treasury credit risks are mitigated through spreading the placement of funds over a range of institutions each carrying acceptable published credit ratings to minimise counterparty risk.

Foreign currency risk

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

	Group		**Company**	
	2013	2012	**2013**	2012
	US$000	US$000	**US$000**	US$000
Cash and cash equivalents:				
Pounds sterling	8,386	5,524	8,100	5,059
Canadian dollars	1	5	1	5
Norwegian kroner	12	13	-	-
Indonesian rupiah	-	25	-	-
Euros	296	404	-	-
Accounts receivable:				
Pounds sterling	931	1,264	354	712
Trade payables:				
Pounds sterling	1,260	8,203	1,185	529
Canadian dollars	41	-	41	-
Euros	103	108	20	43

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

	Effect on (loss) before tax	Effect on (loss) before tax
Increase/decrease in foreign exchange rate	2013	2012
	US$000	US$000
10% strengthening of US$ against £GBP	806	(141)
10% weakening of US$ against £GBP	(806)	141

Liquidity risk

The table below summarises the maturity profile of the Group and Company's financial liabilities at 31 December 2013 based on contractual undiscounted payments. The Group monitors its risk to a potential shortage of funds by monitoring the maturity dates of existing debt.

Group

Year ended 31 December 2013	Within 1 year	1 to 2 years	2 to 5 years	Total
	US$000	US$000	US$000	US$000
Trade and other payables	4,417	-	-	4,417

Year ended 31 December 2012	Within 1 Year	1 to 2 years	2 to 5 years	Total
	US$000	US$000	US$000	US$000
Trade and other payables	11,677	-	-	11,677

Company

Year ended 31 December 2013	Within 1 year	1 to 2 years	2 to 5 years	Total
	US$000	US$000	US$000	US$000
Trade and other payables	959	-	-	959

Year ended 31 December 2012	Within 1 Year	1 to 2 years	2 to 5 years	Total
	US$000	US$000	US$000	US$000
Trade and other payables	1,080	-	-	1,080

Commodity price risk

During 2012 and 2013, all of the Group's gas production was sold at fixed contracted prices.

All condensate production was sold at prices linked to the spot market. During much of the Kambuna field production period, fluctuations in condensate price were largely offset by variations in cost recovery.

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.

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 and development expenditure, and to safeguard the entity's ability to continue as a going concern and create shareholder value. At 31 December 2013, capital employed of the Group amounted to US$102.1 million (comprised of US$102.1 million of equity shareholders' funds and US$nil million of borrowings), compared to US$88.6 million at 31 December 2012 (comprised of US$88.6 million of equity shareholders' funds and US$nil of borrowings).

At 31 December 2013, capital employed of the Company amounted to US$123.1 million (comprised of US$123.1 million of equity shareholders' funds and US$nil million of borrowings), compared to US$146.4 million at 31 December 2012 (comprised of US$146.4 million of equity shareholders' funds and US$nil million of borrowings).

23. Equity Share Capital

The concept of authorised share capital was abolished under the Companies Act 2006 and shareholders approved the adoption of new Articles of Association at the 2010 Annual General Meeting which do not contain any reference to authorised share capital.

The share capital of the Company comprises one "A" share of £50,000 and 250,179,039 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:		Share capital	Share premium	Total Share capital
Group	Number	US$000	US$000	US$000
As at 1 January 2012	176,660,311	17,756	189,946	207,702
Options exercised (i)	110,000	11	45	56
Shares issued (ii)	6,000,000	600	1,400	2,000
31 December 2012	182,770,311	18,367	191,391	209,758
Shares issued (iii)	67,408,729	6,741	11,459	18,200
As at 31 December 2013	250,179,040	25,108	202,850	227,958

Allotted, issued and fully paid:		Share capital	Share premium	Total Share capital
Company	Number	US$000	US$000	US$000
As at 1 January 2012	176,660,311	17,756	154,674	172,430
Options exercised (i)	110,000	11	45	56
Shares issued (ii)	6,000,000	600	1,400	2,000
As at 31 December 2012	182,770,311	18,367	156,119	174,486
Shares issued (iii)	67,408,729	6,741	11,459	18,200
As at 31 December 2013	250,179,040	25,108	167,578	192,686

i) In April 2012, 110,000 share options were converted to ordinary shares at a price of £0.32.

ii) In November 2012, 6,000,000 ordinary shares were issued to NAMCOR as part of the consideration for the interest in the Luderitz basin acquired in December 2011. NAMCOR had the option to take the shares or US$2 million in cash. The valuation of the shares issued is based on the cash alternative as value of the equity alternative when the deal was agreed was less than the cash alternative. At 31 December 2011 the US$2 million was accrued within Trade and other payables.

iii) In November 2013, the Company raised US$18.2 million (net of expenses) through the issue of 67,408,729 ordinary shares at 18 pence each. The issue price represented a discount of 1.4% to the mid-market price of 18.25 pence per ordinary share on 21 October 2013, the announcement date of the share placing and open offer being 22 October 2013.

24. Additional Cash Flow Information

Analysis of Group net cash

Year ended 31 December 2013

	1 January 2013 US$000	Cash flow US$000	Non-cash movements US$000	31 December 2013 US$000
Cash	14,595	(4,570)	153	10,178
Short-term deposits	7,750	7,872	262	15,884
	22,345	3,302	415	26,062

Year ended 31 December 2012

	1 January 2012 US$000	Cash flow US$000	Non-cash movements US$000	31 December 2012 US$000
Cash	8,546	5,851	198	14,595
Short-term deposits	11,400	(3,650)	-	7,750
	19,946	2,201	198	22,345

Analysis of Company net cash

Year ended 31 December 2013

	1 January 2013 US$000	Cash flow US$000	Non-cash movements US$000	31 December 2013 US$000
Cash	13,674	(4,247)	148	9,575
Short-term deposits	7,750	7,846	288	15,884
	21,424	3,599	436	25,459

Year ended 31 December 2012

	1 January 2012 US$000	Cash flow US$000	Non-cash movements US$000	31 December 2012 US$000
Cash	7,742	5,748	184	13,674
Short-term deposits	11,400	(3,650)	-	7,750
	19,142	2,098	184	21,424

25. Share-Based Payments

Share Option Plans

Following a Reorganisation in 2005 (see note 1), the Company established an option plan (the "Serica 2005 Option Plan") to replace the Serica Energy Corporation Share Option Plan (the "Serica BVI Option Plan"). 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 Energy Corporation ("Serica BVI") was previously the holding company of the Group but, following the Reorganisation, is now a wholly owned subsidiary of the Company. Prior to the Reorganisation, Serica BVI issued options under the Serica BVI Option Plan and following the Reorganisation the Company has agreed to issue ordinary shares to holders of Serica BVI Options already awarded upon exercise of such options in place of the shares in Serica BVI to which they would be entitled. There are currently options outstanding under the Serica BVI Option Plan entitling holders to acquire up to an aggregate of 1,900,000 ordinary shares of the Company. No further options will be granted under the Serica BVI option plan.

As at 31 December 2013, the Company has granted 18,532,460 options under the Serica 2005 Option Plan, 9,108,460 of which are currently outstanding. The Serica 2005 Option Plan will govern all future grants of options by the Company to Directors, officers, key employees and certain consultants of the Group.

The Serica 2005 Option Plan is comprised of two parts, the basic share option plan and a part which constitutes an Enterprise Management Incentive Plan ("EMI Plan") under rules set out by the H.M. Revenue & Customs in the United Kingdom. Options granted under the Serica 2005 Option Plan can be granted, at the discretion of the Board, under one or other of the two parts but, apart from certain tax benefits which can accrue to the Company and its UK employees if options are granted under the part relating to the EMI Plan meeting the conditions of that part of the Serica 2005 Option Plan, all other terms under which options can be awarded under either part are substantially identical.

The Directors intend that the maximum number of ordinary shares which may be utilised pursuant to the Serica 2005 Option Plan 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.

4,744,690 of the 9,108,460 options outstanding under the Serica 2005 Option Plan are exercisable only if certain performance targets being met. These include the following options subject to market conditions; 110,000 options awarded to an executive director in December 2005, 350,000 options awarded to an executive director in March 2008 and 1,425,000 options awarded to executive directors in January 2010. In April 2011, 200,000 options were awarded to an executive director and 200,000 options were awarded to an employee exercisable only if certain operational performance targets are met. In October 2012 a further 800,000 share options under the Serica 2005 Option Plan were granted to two current executive directors, all of these options are subject to performance conditions. Details of the performance conditions attached are provided in the Directors' Report. In November 2012, 400,000 options were granted to a consultant subject to performance conditions.

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. US$252,000 has been charged to the income statement in continuing operations for the year ended 31 December 2013 (2012 - US$570,000) and a similar amount credited to the share-based payments reserve, classified as 'Other reserve' in the Balance Sheet. US$nil has been charged to the income statement in discontinued operations for the year ended 31 December 2013 (2012 - US$nil). US$128,000 (2012 - US$264,000) of the total continuing operations charge was in respect of key management personnel (defined in note 8).

The options granted in 2013 and 2012 were consistently valued in line with the Company's valuation policy. Assumptions made included a weighted average risk-free interest rate of 3%, no dividend yield, a weighted average expected life of three years, and a volatility factor of expected market price of in a range from 50-70%. The weighted fair value of options granted during the year was £0.15 (2012:£0.11).

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

Serica BVI option plan	**2013 Number**	**2013 WAEP Cdn$**	2012 Number	2012 WAEP Cdn$
Outstanding as at 1 January	1,900,000	1.46	1,900,000	1.46
Expired during the year	-	-	-	-
Outstanding as at 31 December	1,900,000	1.46	1,900,000	1.46
Exercisable as at 31 December	1,900,000	1.46	1,900,000	1.46
Serica 2005 option plan		**£**		**£**
Outstanding as at 1 January	9,058,460	0.52	10,183,000	0.75
Granted during the year	800,000	0.23	3,344,960	0.24
Exercised during the year	-	-	(110,000)	0.32
Cancelled during the year	-	-	(3,159,500)	0.81
Expired during the year	(750,000)	0.40	(1,200,000)	0.99
Outstanding as at 31 December	9,108,460	0.50	9,058,460	0.52
Exercisable as at 31 December	4,513,500	0.76	3,060,000	0.73

The weighted average share price at the date of exercise for the options exercised in 2012 was £0.35.

The weighted average remaining contractual life of options outstanding as at 31 December 2013 is 5.5 years (2012: 5.8 years).

For the Serica BVI option plan, the exercise price for outstanding options at the 2013 year end ranges from Cdn$1.00 to Cdn$1.80 (2012: Cdn$1.00 to Cdn$1.80). For the Serica 2005 option plan, the exercise price for outstanding options at the 2013 year end ranges from £0.18 to £1.04 (2012: £0.21375 to £1.04).

As at 31 December 2013, the following director and employee share options were outstanding:

Expiry Date	Amount	Exercise cost Cdn$
March 2014	1,000,000	1,800,000
December 2014	200,000	200,000
January 2015	600,000	600,000
June 2015	100,000	180,000
		Exercise cost £
January 2014	228,000	72,960
November 2015	280,000	271,600
January 2016	135,000	139,725
June 2016	270,000	259,200
January 2017	243,000	247,860
May 2017	210,000	218,400
March 2018	594,000	445,500
March 2018	350,000	287,000
January 2020	2,203,500	1,498,380
April 2021	450,000	141,188
January 2022	2,144,960	458,485
October 2022	1,200,000	348,000
January 2023	400,000	109,000
November 2023	400,000	72,000

On 4 January 2014, 228,000 share options under the Serica 2005 Option Plan expired.

On 30 January 2014, 1,200,000 share options were granted to directors, and 600,000 share options granted to employees other than directors, all with an exercise cost of £0.13 and an expiry date of 29 January 2024.

On 31 March 2014, 1,000,000 share options under the Serica BVI Option Plan expired.

26. Commitments under Operating Leases

Operating lease agreements where the Group is lessee

At 31 December 2013 the Group has entered into commercial leases in respect of rental of office premises and office equipment.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	US$000	US$000	**US$000**	US$000
Not later than one year	137	146	-	-
Later than one year and not later than five years	-	-	-	-
	137	146	-	-

In February 2013, the Group entered into a new five year office operating lease with a minimum commitment period of one year, expiring in March 2014.

Operating sublease agreements where the Group is lessor

In January 2013 the Group entered into an operating sublease for part of its UK office, expiring in March 2014. At 31 December 2013, future minimum rentals receivable under this sublease for a period not later than one year were US$32,000.

27. Capital Commitments and Contingencies

At 31 December 2013, other amounts contracted for but not provided in the financial statements for the acquisition of exploration and evaluation assets amounted to US$1.2 million for the Group and US$nil for the Company (2012: US$nil and US$nil respectively). These amounts relate to costs incurred on Foum Draa drilling in Morocco in January 2014.

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.

In Morocco, the partners on the Sidi Moussa licence expect to drill an exploration commitment well in Q3 2014. The Company is carried for its share of expenditure up to a gross cap of US$50 million. Serica has currently budgeted to pay some US$2.3 million, being its paying share of costs over and above the agreed cap to the farm-in carry.

Under the terms of the Company's Namibian licence, the value of work performed to date by the JV partners on the 3D Seismic acquisition programme has exceeded the minimum obligation expenditure on exploration work of US$15.0 million covering the entire initial four year period of the licence, ending in December 2015.

Other less material minimum obligations include G&G, seismic work and ongoing licence fees in the UK and Ireland.

The Group has to provide security for a proportion of its future obligations to defined work programmes or other commitments and fulfils this obligation through the Company providing US$0.4 million of cash collateral included as a financial asset (restricted cash) as at 31 December 2013 (2012: US$0.4 million).

Where the Company enters into financial guarantee contracts and guarantees the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time that it becomes probable that the Company will be required to make a payment under the guarantee.

28. Related Party Transactions and Transactions with Directors

There are no related party transactions, or transactions with Directors that require disclosure except for the remuneration items disclosed in the Directors Report and note 8 above. These disclosures include the compensation of key management personnel.

The Company's related parties consist of its subsidiaries and the transactions and amounts due to/due from them are disclosed in the accompanying notes to the Company financial statements.

29. Post Balance Sheet Events

No events have occurred since the balance sheet date which would require disclosure or adjustment in the Group and Company accounts now presented.

Group Proved plus Probable Reserves – Unaudited

	Western Europe		Indonesia		Total	Total	Total
	Oil	Gas	Oil	Gas	Oil	Gas	Oil & gas
	mmbbl	bcf	mmbbl	bcf	mmbbl	bcf	mmboe
At 1 January 2013	1.6	23.1	0.0	0.3	1.6	23.4	5.5
Revisions	(0.1)	(1.2)	-	-	(0.1)	(1.2)	(0.2)
Production	-	-	-	(0.3)	-	(0.3)	(0.1)
At 31 December 2013	1.5	21.9	-	-	1.5	21.9	5.2
Proved developed	-	-	-	-	-	-	-
Proved undeveloped	0.8	12.1	-	-	0.8	12.1	2.9
Probable developed	-	-	-	-	-	-	-
Probable undeveloped	0.7	9.8	-	-	0.7	9.8	2.3
At 31 December 2013	1.5	21.9	-	-	1.5	21.9	5.2

Proved and probable reserves are based on independent reports prepared by consultants Netherland, Sewell & Associates (for the Columbus Field in the UK North Sea) in accordance with the reserve definitions of the Canadian Oil and Gas Evaluation Handbook. Gas reserves at 31 December 2013 have been converted to barrels of oil equivalent using a factor of 6.0 bcf per mmboe for Western Europe (Columbus field reserves) on the basis of a nominal gas calorific value of 1,000 BTU per cubic foot.

In view of the field shut-in in July 2013 and subsequent handover to Pertamina, remaining economic hydrocarbon reserves as at 31 December 2012 were of an immaterial level, equating to the estimated levels of declining production in the remaining months of 2013 prior to handover. Accordingly no independent reserves audit was performed in 2012.