SERICA ENERGY PLC

INTERIM 2023 REPORT TO SHAREHOLDERS

INTERIM REPORT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023

The following Interim Report of the operations and financial results of Serica Energy plc ("Serica") and its subsidiaries (together the "Group") contains information up to and including 18 September 2023 and should be read in conjunction with the unaudited interim consolidated financial statements for the period ended 30 June 2023, which have been prepared by and are the responsibility of the Company's management.

References to the "Company" include Serica and its subsidiaries where relevant.

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

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

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

CHIEF EXECUTIVE OFFICER'S REVIEW

The acquisition of Tailwind Energy Investments Ltd, which completed in the first half of 2023 has provided operational diversity and scale for Serica. This transaction is outlined in the section following this review.

Serica's production levels in the first half of 2023 continue to benefit from the ongoing capital investment campaign which has been in progress for the last few years. We can also see the benefit of the investment in the Tailwind portfolio over a similar period. As a result of these investment projects, the net production from the combined portfolio in the first half of 2023 was 49,350 boe/d, an increase of 30% compared to the 38,100 boe/d from the same portfolio in 1H 2022 and an increase of 85% compared to the Serica net production of 26,600 boe/d in 1H 2022.

In the first half of 2023, 55% of the production from the combined portfolio was gas compared to 91% of the Serica portfolio on the first half of 2022.

Market gas prices, though still volatile, have averaged around 108p/therm in the first half of 2023 compared to over 175p per therm in the first half of 2022. Market oil prices have averaged around US$79/bbl in the first half of 2023 compared to around US$107/bbl in the first half of 2022. These are before the impact of Serica's commodity price hedging programmes.

With lower commodity prices but markedly higher production levels, Serica's sales revenue for the six-month period to June 2023 was £340.6 million, broadly similar to the figure of £353.5 million for the corresponding period in 2022. The profit after taxation for the period was £175.5 million (1H 2022: £116.7 million) but this is significantly influenced by a one-off non-cash accounting entry related to the Tailwind acquisition. These numbers incorporate contributions from the acquired Tailwind assets from the completion date of 23 March 2023 rather than the full six-month period.

The UK Energy Profits Levy (EPL) has a significant impact on post-tax profitability for all UK oil and gas producers. However, the substantial tax losses acquired with the Tailwind transaction have had the effect of lowering Serica's effective rate of taxation. The EPL is a wholly unwelcome burden that is already leading to the delay and cancellation of longer-term investment projects across the sector. However, allowances relating to reinvestment in short-cycle projects offer Serica the opportunity to mitigate its impact. Therefore, we will maintain our ongoing short-cycle investment plans and where possible will expand and accelerate elements of that programme.

The Company is therefore continuing with its growth strategy of investment in projects designed to enhance and extend future production profiles. Following the success of last year's Light Well Intervention Vessel ("LWIV") programme on Bruce, a second campaign has now commenced, and a third campaign is scheduled for the first half of 2024. A significant four-well drilling campaign in the Triton Area is expected to commence early in 2024. This will comprise of wells on Bittern, Gannet E, Guillemot NW and Evelyn.

The common theme amongst these capital projects is that they are all designed to quickly add production from existing fields without the requirement for substantial new infrastructure. These short-cycle investments benefit from Investment Allowances under the EPL and have the capability to add significant reserves and production. Serica has a strong record of replacing reserves through our ongoing investment commitment. At the end of 2022 the Serica net 2P reserves stood at 74.9 mmboe which is a 9% increase on the level at the time of the BKR acquisition more than four years previously despite the production of over 30 mmboe in the intervening period. The combined net 2P reserves for the Serica and Tailwind portfolios at the end of 2022 were 130.4 mmboe.

We continue to focus on emissions reduction whilst maximising production. In the first half of the year carbon intensity (emissions divided by production) from the Bruce hub was 15.1kg CO_2/boe, a 9% reduction on the same period last year. On Triton, the 1H 2023 carbon intensity was 17.7kg CO_2/boe, a 33% reduction on 1H 2022. As new production from Serica's forthcoming drilling campaign will be tied back to existing offtake facilities, such additions add reserves without adding significant carbon emissions.

The Serica portfolio remains cash generative following the Tailwind transaction. At the start of the year cash and deposits totalled £433 million and during the first half of the year this has risen to £444 million despite final 2022 tax payments of £141 million, £62 million of cash consideration paid for the Tailwind transaction and £48 million of debt repayment. The mid-year debt level stood at £210 million leaving a net cash balance of £234 million.

Against this background the Company is steadily increasing its return to shareholders. Following combined dividend payments of 22 pence per share for full year 2022, the Company is today announcing an interim dividend of 9 pence per share (2022: 8 pence per share) which will be paid in November 2023.

Mitch Flegg
Chief Executive Officer
18 September 2023

ACQUISITION OF TAILWIND ENERGY INVESTMENTS LTD

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

Tailwind was formed in 2016. Through a combination of acquisitions, production enhancements and development of new fields, executed by a small and expert team of oil and gas professionals, it built a portfolio of upstream assets situated in the UK North Sea. At the end of 2022 this portfolio had 2P reserves of 55.5 million boe, with a rising production profile that reached an average 23,300 boe/d in December 2022.

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

The acquisition of Tailwind was aimed at achieving Serica's longstanding objective to have a more diverse and broadly based UKCS portfolio of producing fields, with material reserves and value upside potential, coupled with a more balanced exposure to commodity price risk. The transaction represents substantial progress towards this objective with the number of producing fields increased from five to eleven, mainly centred around two hubs (Bruce and Triton), a substantial increase in 2P reserves (combined 130.4 million boe as at 31 December 2022) and a balance of gas and oil production.

The acquisition has also added considerably to the organic investment opportunities in Serica's portfolio. Rig slots have been reserved in order to drill infill wells on the Bittern, Gannet E, Guillemot North West and Evelyn fields in 2024; all of which are existing tie-backs to the Triton FPSO. The potential developments of the Belinda field as a tie-back to the Triton FPSO and the Mansell field, situated in the UK Northern North Sea, are being evaluated. All these activities will continue under the ownership of Serica, whose team has been supplemented by the addition of Tailwind staff.

These substantial enhancements to Serica's portfolio of upstream assets have been achieved while maintaining the Company's financial strength. Moreover, Serica retains a relatively low level of decommissioning liabilities largely as a result of foundational transactions by both Serica and Tailwind in the past involving the sellers retaining such obligations. Serica's strong balance sheet, allied with expected net cash inflows from the enlarged portfolio, provides a basis for continued dividends to shareholders, investment in the existing portfolio and further acquisitions. Very few UKCS-focused independent oil and gas companies share this same combination of attributes.

As described in the Annual Report and ESG Report, making a positive contribution to the North Sea Transition Deal is a key objective. Serica is using its operating experience to support the infrastructure operators of the Tailwind assets to reduce emissions. The longer-term outlook depends in part on investments to reduce emissions from the Bruce and Triton hubs. As operator of the Bruce hub and co-owner of the Triton FPSO, Serica is engaged in the development and implementation of GHG Emissions Reduction Action Plans for both facilities.

REVIEW OF OPERATIONS

UK Operations

<u>Northern North Sea</u>

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

Serica operates the Bruce field and facilities consisting of three bridge-linked platforms, wells, pipelines and subsea infrastructure. The platforms contain living quarters, reception, compression, power generation, processing and export facilities and a drilling derrick that is currently mothballed. There is also the subsea Western Area Development (WAD) that produces from the edges of the Bruce area.

Bruce production is predominantly gas which is rich in liquids. Gas is exported through the Frigg pipeline to the St Fergus terminal, where it is separated into sales gas and NGL's. Oil is exported through the Forties Pipeline System to Grangemouth.

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

We also successfully carried out the replacement of the subsea control modules on the WAD manifold to support the Light Well Intervention (LWI) activity in Q3 23 and Q1 24.

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

Major works were undertaken during the summer outage to replace the main platform flare tip, 140 metres above the sea surface requiring a heli-lift, along with major overhauls of the glycol system and a booster compressor. The extensive maintenance campaigns were all integrity and reliability focussed helping to underpin the plans to extend Bruce production to 2035+.

The 2023 LWI work, which covers three wells and is expected to boost production volumes, commenced in September and is ongoing. Work on the Bruce M3 and M6 wells includes scale removal, a reperforation and new perforation, whist work on Bruce M4 is based on information obtained during the original work in 2022.

Bruce field production in 1H 2023 averaged circa 7,200 boe/d (1H 2022: 6,800 boe/d) of oil and gas net to Serica.

The latest independent reserves report by RISC Advisory estimated 2P reserves of 31.8 million boe net to Serica as of 1 January 2023 (2022: 15.8 million boe). This increase reflects the benefits from future planned well interventions and from field life extension beyond 2030.

<u>Northern North Sea: Keith Field – Block 9/8a, Serica 100%</u>

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

During 2023 the Keith subsea control module was changed out to allow the planned LWI in Q1 2024 to restore production from the field.

The latest independent reserves report by RISC Advisory estimated 2P reserves of 2.4 million boe net to Serica as of 1 January 2023 (2022: 0.9 million boe). These reserves are recognised based upon the planned 2023 and 2024 programmes.

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

The Rhum field is a gas condensate field producing from three subsea wells tied into the Bruce facilities through a 44km pipeline. Rhum production is separated into gas and oil and exported to St Fergus and Grangemouth along with Bruce and Keith production. Rhum gas has a higher CO_2 content than Bruce gas and so is blended with Bruce gas before leaving the offshore facilities.

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

Average Rhum field production in 1H 2023 was circa 16,300 boe/d (1H 2022: 15,900 boe/d) of gas net to Serica.

The latest independent reserves report by RISC Advisory estimated 2P reserves of 36.4 million boe net to Serica as of 1 January 2023 (2022: 37.2 million boe). This represents an increase in reserves after 2022 production is taken into account which arises from the extension of field life into the 2030s.

Northern North Sea: Orlando Field – Block 3/3b, Serica 100% (acquired from Tailwind)

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

Orlando has been producing steadily in 2023, following a workover in 2022 to replace the dual Electric Submersible Pumps. During 1H 2023, there have been some minor outages for repairs to some topsides electrical cables.

Average Orlando field production in 1H 2023 was circa 3,500 boe/d (1H 2022: nil boe/d) net to Serica including downtime. Average net production for the post-acquisition period from 23 March to 30 June 2023 was 3,550 boe/d.

An independent reserves report by ERCE estimated 2P reserves of 3.4 million boe net to Serica as of 1 January 2023.

Northern North Sea: Mansell – Block 3/8g, Serica 100% (acquired from Tailwind)

The Mansell discovery is located in licence P2448 in UKCS Block 3/8g south and east of the Ninian and Columba fields. Mansell was discovered by well 3/8b-10, drilled by BP in 1985, and following successful appraisal was developed as a subsea tieback to the Ninian South Platform and produced between 1992 and 1995 (Field was then named as Staffa). The field was shut in 1995 following waxing-up of the flowline and decommissioned. The Mansell field has contingent resources of up to 16 mmboe. Studies are ongoing to determine the feasibility and timing of a redevelopment.

Central North Sea

Central North Sea: Triton Area - Bittern 64.63%, Evelyn 100%, Gannet E 100%, Guillemot West & North West 10%, Belinda 100% (Serica share in %, acquired from Tailwind)

The Triton Area consists of eight producing oil fields developed via common subsea infrastructure in the UK Central North Sea, located approximately 190km east of Aberdeen in water depths of 90m. The fields currently producing oil and gas via the Triton Floating Production Storage & Offloading (FPSO) vessel are Evelyn, Bittern, Guillemot West and Guillemot North West, Gannet E, Clapham, Pict and Saxon. Dana Petroleum Limited ("Dana") and Waldorf Production UK Limited (''Waldorf'') are our partners in the Triton cluster. Dana operate the Triton FPSO along with the Bittern, Guillemot West / North West, Clapham, Saxon, and Pict fields. Serica is operator of the Gannet E and Evelyn fields, with Dana as pipeline operator and Petrofac as well operator. Serica also operates the Belinda discovery.

In February, a fourth Gannet E well was brought online bringing combined peak production rates in Gannet E to over 13,000 boe/d. The Evelyn field has been producing steadily since coming online in September 2022 at circa. 6,000 boe/d. Bittern field is steady with peak rates of circa. 7,000 boe/d (Serica net) and Guillemot West / North West at circa. 400 boe/d (Serica net). Triton gross peak rates have exceeded 30,000 boe/d for the first time in 10 years.

Two Guillemot West well workovers were completed in July and are due to be brought online in September after the Triton annual shutdown which recently completed. There is a four well program planned for execution in 2024 as follows: Bittern sidetrack, Guillemot North West infill well, Gannet E fifth well and Evelyn second well. Serica is progressing the Belinda development with plan to submit the FDP in 2H 2023 and sanction planned for 2024.

Average net (Serica share) Triton Area production in 1H 2023 was circa 18,300 boe/d (1H 2022: 10,000 boe/d) of oil and gas. Average net production for the post-acquisition period from 23 March to 30 June 2023 was 18,550 boe/d.

An independent report of reserves by ERCE estimated 2P reserves of 49.2 million boe net to Serica as of 1 January 2023.

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

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

The Columbus field is located in the UK Central North Sea and produces from a gas-condensate reservoir in the Forties Sandstone Formation. The development consists of a single horizontal well which runs along the central axis of the reservoir, drilled in the spring of 2021, and production commenced in November 2021.

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

Columbus had good initial test rates and started production in November 2021. Flow rates then declined during the first few months of production and average Columbus production in 2022 was around 3,800 boe/d gross.

During the first half of 2023, Columbus production has been steady despite some short-term Shearwater offtake facility outages.

Average net Columbus production of gas and condensate in 1H 2023 for Serica's combined 75% interest was 2,300 boe/d (1H 2022: 1,970 boe/d for a 50% interest). Average net production for the Group's combined 75% interest in the post-acquisition period from 23 March to 30 June 2023 was 2,250 boe/d.

The latest independent report of reserves, compiled by RISC Advisory, estimated 2P reserves of 1.1 million boe net to Serica's 50% equity interest as at 1 January 2023 (2022: 4.9 million boe) after allowing for production of 0.6 million boe during 2022. An additional 25% field equity interest was acquired as part of the Tailwind transaction in March 2023.

Central North Sea: Erskine Field – Blocks 23/26a (Area B) and 23/26b (Area B), Serica 18%

Serica holds a non-operated interest in Erskine, a gas and condensate field located in the UK Central North Sea. Serica's co-venturers are Ithaca Energy 50% (operator) and Harbour Energy 32%.

The Erskine field has five production wells and produces oil and gas over the Erskine normally unattended installation, which is transported via a multiphase pipeline and processed on the Lomond platform which is 100% owned and operated by Harbour. Then condensate is exported down the Forties Pipeline System via the CATS riser platform at Everest and gas is exported via the CATS pipeline to the CATS terminal at Teesside.

In first half of 2023 Erskine has produced steadily from the four currently available wells. Topsides surveillance of the W1 well is being undertaken in Q3 2023 with the intent of carrying out a MODU based intervention in 2024 to return the well to production. The regular pigging program on the condensate export line has continued and no indications of wax build-up have been seen.

Erskine production levels in 1H 2023 averaged 1,700 boe/d net (1H 2022: 1,890 boe/d net).

A latest independent report of reserves by RISC Advisory estimated 2P reserves at 3.3 million boe as of 1 January 2023 (2022: 3.4 million boe).

UK Exploration

North Eigg and South Eigg – Blocks 3/24c and 3/29c, Serica Energy (UK) Limited 100% and Operator

In December 2019, Serica was awarded the P2501 Licence as part of an out of round application; this comprised Blocks 3/24c and 3/29c including the North Eigg and South Eigg prospects.

The 3/24c-6B North Eigg exploration well was drilled to a depth of 16,728 feet in the Jurassic Heather formation, completing in early 2023. Following detailed interpretation of the North Eigg well results, Serica has decided that there is insufficient accessible oil to justify re-entering the suspended well and drilling a sidetrack. After consultation with the NSTA, we have elected to go into the second term of the P2501 Licence for the purpose of completing the decommissioning and restoration of the North Eigg well. Only the area immediately around the well necessary for the abandonment has been retained with the remainder of the block being relinquished.

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

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

In the region around Skerryvore, Harbour Energy have announced that they are proceeding with the Talbot development, with drilling scheduled later this year and first oil expected from Q3 2024. In a success case, Talbot infrastructure could provide Skerryvore with an export route via the Judy platform and the subsequent export of produced hydrocarbons to Teeside, UK.

Licence Awards in the UK 32nd licensing round

The P2506 Licence was awarded to Serica 100% in the 32nd Licence Round in 2020 and covers blocks in the greater Bruce / Rhum area. Work commitments for the current phase of the licence have now been met. A detailed prospectivity review was carried out, which identified two prospects, the Elf Horst prospect (in the north) and Davan discovery (in the south).

On the basis of this technical work, it has been concluded that this opportunity does not meet Serica's investment criteria and the decision has therefore been made not to continue the licence beyond the end of the current phase, which ends on 30 November 2023.

Licence Awards in the UK 33rd licensing round

Two licences have been applied for in the 33rd Licence Round which closed in December 2022. The applications include light initial work commitments. Both applications are consistent with Serica's infrastructure led exploration strategy.

FINANCIAL REVIEW

In addition to continuing strong production from its existing assets, Serica's 1H 2023 results benefitted from inclusion of net production and income from the Tailwind field interests from the acquisition completion date of 23 March 2023 to the period end 30 June 2023. Net cashflows from the Tailwind assets for the period prior to 23 March are reflected in the opening net debt position of Tailwind. Fair value acquisition accounting, carried out under relevant financial reporting standards as a business combination, resulted in a one off 'gain on acquisition' of £139.6 million. This was partially offset by expensed transaction costs totalling £8.6 million. The group balance sheet at 30 June 2023 reflects the full set of assets and liabilities arising from the business combination, which include a reserve-based lending ("RBL") facility. Further details of the accounting for the acquisition are provided in note 11.

Although market sales prices for oil and gas were lower than for the same period last year, this was partially offset by reduced hedging volumes. The Tailwind acquisition has also brought a balanced mix of oil and gas and greater production resilience arising from a wider asset spread.

1H 2023 RESULTS

Serica generated a profit before taxation of £298.3 million for 1H 2023 compared to £194.5 million for 1H 2022. After current and deferred tax provisions of £122.8 million (1H 2022: £77.7 million), profit for the period was £175.5 million compared to £116.7 million for 1H 2022 and £177.8 million for full year 2022.

Sales revenue

The total 1H 2023 sales revenue of £340.6 million (1H 2022: £353.5 million) included revenues of £100.0 million from the acquired Tailwind assets from the effective date of 23 March 2023 (1H 2022: £nil).

Total sales revenues comprised gas revenue of £216.6 million (1H 2022: £293.6 million), oil revenue of £112.7 million (1H 2022: £41.2 million) and NGL revenue of £11.3 million (1H 2022: £18.7 million). The fall in gas revenue was driven by lower realised pricing compared to 1H 2022 and the increase in oil revenue reflects new revenue streams from the largely oil based Tailwind portfolio.

Total product sales volumes for the half year comprised approximately 227 million therms of gas (1H 2022: 216 million therms), 2.2 million lifted barrels of oil (1H 2022: 0.5 million barrels) and 30,000 metric tonnes of NGLs (1H 2022: 36,800 metric tonnes).

Average 1H 2023 sales prices net of system fees were: 96 pence per therm (1H 2022: 136 pence per therm) for gas, US$64 per barrel (1H 2022: US$107.7 per barrel) for oil and £377 per metric tonne (1H 2022: £514 per metric tonne) for NGLs. Average oil and gas sales prices reflect the mix of sales comprising volumes sold at current spot prices and volumes sold at contracted fixed prices and are before realised hedging costs on gas price swaps.

Gross profit

The gross profit for 1H 2023 was £180.1 million compared to £267.1 million for 1H 2022. Overall cost of sales of £160.5 million compared to £86.3 million for 1H 2022. This comprised £99.6 million of operating costs (1H 2022: £59.1 million) and £74.7 million of non-cash depletion charges (1H 2022: £25.5 million).

The overall increases reflected higher production volumes for the enlarged business. Operating costs per boe were US$17.5, increased from US$16.1 for 1H 2022 mainly due to underlying cost inflation and the introduction of new fields. In addition, an increase in the overall rate of depletion charges per barrel arose from the recognition of the Tailwind assets at fair value and an increase in the Columbus field depletion charge per barrel from 1H 2022 due to a reduction in remaining reserves. These were partially offset by a £13.8 million credit representing an increase during the period of the liquids underlift position (1H 2022: charge of £1.7 million).

Operating profit

The operating profit for 1H 2023 was £159.5 million compared to £196.3 million for 1H 2022. This included hedging expense related to 1H gas price swaps, of £13.0 million realised during 1H 2023 (1H 2022: £13.2 million) plus unrealised hedging gains of £20.5 million (1H 2022: expense of £56.4 million), mainly arising from the movement in valuation of Serica's 2022 year-end gas swap position as it fully unwound in the period.

E&E asset write-offs of £5.7 million in 1H 2023 (1H 2022: £nil) largely comprised a final charge from the North Eigg exploration well. Administrative expenses for 1H 2023 of £7.9 million compared to £3.8 million for 1H 2022 and reflected the growth in activities of the group arising from Tailwind completion and subsequently.

Transaction costs of £8.6 million (1H 2022: £nil) comprise fees and other costs associated with the acquisition of Tailwind Energy Investments Ltd.

Profit before taxation and profit after taxation

Profit before taxation for 1H 2023 was £298.3 million (1H 2022: £194.5 million) after taking into account a gain on acquisition of £139.6 million on the Tailwind transaction (1H 2022: £nil), a £1.5 million charge arising from an increase in the fair value of the BKR financial liability (1H 2022: £1.9 million), £7.0 million of finance revenue (1H 2023: £0.3 million) and £6.3 million of finance costs (1H 2022: £0.3 million).

The gain on acquisition represents the difference between provisional fair valuations of assets acquired and consideration paid or potentially payable calculated in accordance with applicable accounting standards. Such calculations are complex and involve a range of projections and assumptions related to future costs, production volumes, sales prices, discount rates and tax. The accounting for the acquisition of the transaction assets has been provisionally determined at this stage. The accounting standards provide for potential further adjustments to fair value assessments up to twelve months after completion of the acquisition.

The 1H 2023 charge of £1.5 million relating to the remaining BKR financial liabilities (1H 2022 - £1.9 million) arose from the unwinding of discount on the estimated amounts of those remaining liabilities. The fair value of the liabilities, which are described under BKR asset acquisitions below, is re-assessed at each financial period end.

Finance revenue of £7.0 million (1H 2022: £0.3 million) primarily represents interest income earned on cash deposits and has increased following the significant rises in interest rate returns available from 1H 2023 compared to 1H 2022. Finance costs of £6.3 million (1H 2022: £0.3 million) include interest payable and other charges on the debt facility acquired in March 2023, the discount unwind on decommissioning provisions and other minor finance costs.

The 1H 2023 taxation charge of £122.8 million (1H 2022: £77.7 million) comprised current tax charges of £131.8 million (1H 2022: £79.8 million) and a deferred tax credit of £9.0 million (1H 2022: credit of £2.1 million). The current tax charge includes EPL charges of £61.1 million (1H 2022: £nil). The impact upon the combined group of the increased level of taxation applying to 1H 2023 on its current tax payable has been partially offset through the utilisation of brought forward tax losses within the acquired business. The gain on acquisition is a non-taxable accounting entry.

Overall, this generated a profit after taxation of £175.5 million for 1H 2023 compared to a profit after taxation of £116.7 million for 1H 2022. This resulted in an earnings per share of £0.53 (1H 2022: £0.43) after taking account of the weighted average number of ordinary shares in issue.

GROUP BALANCE SHEET

Serica retains a strong balance sheet with growing cash resources. This has allowed the Company to fund ongoing capital investment programmes whilst delivering a progressive dividend policy as well as seeking new acquisition and investment opportunities. The balance sheet as at 30 June 2023 includes assets and liabilities from the acquired Tailwind business.

Total property, plant and equipment increased from £265.9 million at year end 2022 to £888.9 million at 30 June 2023. The main driver for the significant increase in the balance is the fair value attributed to the Tailwind assets upon acquisition of £704.0 million. The acquisition of Tailwind Energy Investments Ltd is classified as a business combination and the calculation of fair value is carried out in accordance with applicable accounting standards. As described above, the valuation involves a series of judgements and assumptions on all key components of the calculations and are provisional until twelve months following acquisition.

Net additions comprised capital expenditure during 1H 2023 of £13.4 million across various field assets. These included expenditure in the post-acquisition period on the GE04 and GE05 wells (Gannet E), well survey and planning work on Bittern, the start-up of well work on the EV02 well (Evelyn), upgrades for the Triton FPSO and other sundry asset work. These were offset by depletion charges for 1H 2023 of £74.7 million (1H 2022: £25.5 million), other depreciation charges of £0.1 million (1H 2022: £0.1 million) and currency translation adjustments of £20.1 million. Depletion charges represent the allocation of field capital costs over the estimated producing life of each field and comprise costs of asset acquisitions and subsequent investment programmes.

The inventories balance of £9.4 million at 30 June 2023 increased from £4.0 million at the end of 2022. The main factor behind the increase is the inclusion of £5.3 million value for oil inventory held in the pipeline and terminal for the acquired Orlando field. A decrease in trade and other receivables from £134.6 million at the end of 2022 to £122.1 million at 30 June 2023 largely reflected significantly lower prices for June gas sales compared to last December.

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

The increase in cash balances from £432.5 million at 31 December 2022 to £444.0 million at 30 June 2023 reflected cash flow from operations of £265.8 million mainly offset by £140.8 million of 2022 UK tax payments, capital expenditures of £19.0 million, net cash outflows of £45.3 million on the Tailwind acquisition, and £47.9 million (US$60 million) on debt repayments in the post-acquisition period.

Current trade and other payables increased to £80.7 million at 30 June 2023 from £69.9 million at the end of 2022. UK corporation tax payable of £140.9 million at 30 June 2023 (31 December 2022: £150.0 million) reflects liabilities for corporation tax, supplementary charge and the EPL. A significant corporation tax payment of £140.8 million was made in Q1 2023 and a further £80.2 million instalment payment was made in July 2023.

Derivative financial liabilities of £4.7 million at 30 June 2023 represent primarily the valuation of UKA ETS swaps in place at the period end following the Tailwind acquisition. The 31 December 2022 liability of £24.9 million reflected Serica's gas swaps in place at that date which unwound during 1H 2023.

The dividend payable of £53.7 million at 30 June 2023 (31 December 2022: £nil) represents the final cash dividend for 2022 of 14.0 pence per share approved at the annual general meeting on 29 June 2023 and paid in July.

Non-current financial liabilities of £62.3 million (31 December 2022: £29.4 million) comprise remaining deferred consideration of £30.8 million projected to be paid under the BKR acquisition agreements and royalty provisions of £31.5 million representing amounts payable to third parties under the terms of historic Triton asset acquisitions by Tailwind.

Non-current provisions relate to future decommissioning obligations. These showed an increase from £25.2 million at 31 December 2022 to £99.6 million at 30 June 2023 due to £75.5 million arising upon the Tailwind acquisition plus the unwinding of the discount applied to the Group's year end 2022 estimates, partially offset by currency translation adjustments and some minor spend in the period. The balance of provisions is in respect of Serica's Bruce and Keith interests acquired from Marubeni, the Columbus field and the portfolio of interests acquired in March.

The net deferred tax liability position of £52.0 million at 30 June 2023 decreased from £153.3 million at year end 2022, mainly following the introduction of the significant net deferred tax asset position of £95.0 million upon the Tailwind acquisition. This comprised deferred tax assets recognised on tax losses and future relief available on decommissioning partially offset by deferred tax liabilities arising on property, plant and equipment balances. Deferred tax liabilities arising upon the group's PP&E balances will be released in future periods as those balances are depleted.

Interest bearing loans of £210.1 million at 30 June 2023 (31 December 2022: £nil) comprise the RBL facility assumed upon the Tailwind acquisition completion on 23 March 2023. Amounts drawn under the facility at 30 June 2023 were US$270 million which are disclosed net of unamortised fees. The facility was drawn by US$330 million at the date of acquisition with repayments of US$60 million made in the post-acquisition period to 30 June 2023. The redetermined total amount available for drawdown under the facility at 30 June 2023 was US$377 million.

Overall, net assets have increased from £408.7 million at year end 2022 to £754.8 million at 30 June 2023.

The increase in share capital from £183.2 million to £192.4 million arose from shares issued following the exercise of share options, shares issued under employee share schemes and the nominal value of shares issued for the Tailwind acquisition, whilst the increase in other reserves from £25.6 million to £28.0 million arose from share-based payments related to share option awards. The merger reserve of £225.4 million in the consolidated group accounts arose in connection with the shares issued for the Tailwind acquisition.

CASH BALANCES AND FUTURE COMMITMENTS

Current net cash position and price hedging

At 30 June 2023 the Group held net cash of £230.8 million which consisted of cash and cash equivalents of £444.0 million (31 December 2022: £432.5 million) net of the RBL drawings of £213.2 million (31 December 2022: £nil) adjusted for unamortised fees of £3.1 million (31 December 2022: £nil).

Cash hedging security advances of £24.3 million that had been lodged with hedge counterparties at 31 December 2022 as security against settlement of future gas hedge instruments were fully recovered during the 1H 2023 period. Of total cash and cash equivalents, £18.1 million was held in restricted accounts against letters of credit issued in respect of certain decommissioning liabilities as at 30 June 2023 (31 December 2022: £18.1 million).

As at 31 August 2023, the Company held cash and cash equivalents of £333.2 million, after settlement of the 2022 final dividend and an initial 2023 tax instalment in July 2023.

Hedging

Serica carries out hedging activity to manage commodity price risk and to ensure there is sufficient funding for future investments. At 30 June 2023 Serica held the following instruments:

Gas - fixed pricing under gas sales agreements (equivalent to gas price swaps) for the Q3 2023 period of 50,000 therms per day at an average price of 41 pence per therm.

Oil - fixed pricing under oil sales agreements (equivalent to oil price swaps): for the 2H 2023 period approximately 11,000 barrels per day at an average price of US$61 per barrel, for the 1H 2024 period approximately 5,000 barrels per day at an average price of US$70 per barrel, and for the 2H 2024 period approximately 2,700 barrels per day at an average price of US$80 per barrel.

UKA ETS - fixed price swaps for UKA ETS products for 2023 consisting of 66,000 MT at £77.12/MT for 2023 and 231,000 MT at £79.39/MT for 2024.

Field and other capital commitments

Serica's planned 2023/24 investment programme includes two Light Well Intervention Vessel campaigns (Q3 2023 & 1H 2024) on the Bruce and Keith fields and a four-well drilling campaign in the Triton Area (Bittern B1z, Gannet GE-05, Evelyn Phase 2 (EV02) and a Guillemot NW infill well). Potential further programmes to enhance current production profiles and extend field life are under consideration.

At 30 June 2023, the Group had commitments for future capital expenditure relating to its oil and gas properties amounting to £134.5 million which relate primarily to the GE05 well, EV02 well, Bruce LWIV and Triton FPSO/Bittern capex projects.

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

Cash projections are run periodically to examine the potential impact of extended low oil and gas prices as well as possible production interruptions. Serica currently has substantial net cash resources and relatively low operating costs per boe which means that the Company is well placed to withstand such risks and its capital commitments can be funded from existing cash resources.

OTHER

Asset values and impairment

At 30 June 2023, Serica's market capitalisation stood at £806.3 million, based upon a share price of 210.4 pence, which exceeded the net asset value of £761.4 million. A review was performed for any indication that the value of the Group's oil and gas assets may be impaired at the balance sheet date of 30 June 2023 and no impairment triggers were noted. By 15 September the Company's market capitalisation has risen to £1,033.0 million.

Additional Information

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

Approved on behalf of the Board
Mitch Flegg
Chief Executive Officer

18 September 2023

Forward Looking Statements

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

Serica Energy plc
Group Income Statement

Continuing operations	*Notes*	Six months ended 30 June 2023 £000 (Unaudited)	Six months ended 30 June 2022 £000 (Unaudited)	Year ended 31 Dec 2022 £000 (Audited)
Sales revenue	4	340,620	353,472	812,423
Cost of sales	5	(160,486)	(86,346)	(218,155)
Gross profit		180,134	267,126	594,268
Unrealised hedging income/(expense)	6	20,460	(56,390)	20,877
Realised hedging expense	6	(12,961)	(13,203)	(45,384)
Exploration expense and new ventures		(665)	(185)	(185)
E&E asset write-offs		(5,732)	-	(82,749)
Administrative expenses		(7,911)	(3,839)	(9,225)
Transaction costs	11	(8,550)	-	(1,785)
Foreign exchange (loss)/gain		(2,856)	3,653	3,903
Share-based payments	13	(2,432)	(823)	(3,510)
Operating profit		159,487	196,339	476,210
Gain on acquisition	11	139,559	-	-
Change in fair value of BKR financial liability		(1,469)	(1,899)	8,407
Finance revenue		7,028	345	4,499
Finance costs		(6,342)	(310)	(938)
Profit before taxation		298,263	194,475	488,178
Taxation charge for the period	10	(122,791)	(77,746)	(310,382)
Profit after taxation and profit for the period		175,472	116,729	177,796
Earnings per ordinary share (EPS)				
Basic EPS on profit for the period (£)		0.53	0.43	0.65
Diluted EPS on profit for the period (£)		0.51	0.41	0.62

Serica Energy plc
Condensed Group Statement of Comprehensive Income

	Six months ended 30 June 2023 £000 (Unaudited)	Six months ended 30 June 2022 £000 (Unaudited)	Year ended 31 Dec 2022 £000 (Audited)
Profit for the period	175,472	116,729	177,796
Other comprehensive loss			
Exchange differences on translation	(12,821)	-	-
Other comprehensive loss for the period	(12,821)	-	-
Total comprehensive profit for the period	162,651	116,729	177,796
Total comprehensive profit attributable to:			
Equity owners of the company	162,651	116,729	177,796

Serica Energy plc
Group Balance Sheet

	Notes	30 June 2023 £000 (Unaudited)	31 Dec 2022 £000 (Audited)	30 June 2022 £000 (Unaudited)
Non-current assets				
Exploration & evaluation assets	8	869	1,001	10,254
Property, plant and equipment	9	888,871	265,907	316,920
		889,740	266,908	327,174
Current assets				
Inventories		9,417	3,998	4,528
Trade and other receivables		122,128	134,627	81,864
Hedging security advances		-	24,320	160,380
Cash and cash equivalents		444,007	432,529	258,318
		575,552	595,474	505,090
TOTAL ASSETS		1,465,292	862,382	832,264
Current liabilities				
Trade and other payables		80,739	69,887	45,924
Corporate tax payable		140,924	149,998	95,639
Derivative financial liability		4,664	24,914	102,181
Gas contract liabilities		162	987	10,807
Financial liabilities		6,273	-	-
Dividend payable	7	53,652	-	24,467
Non-current liabilities				
Gas contract liabilities		-	-	162
Financial liabilities		62,317	29,378	39,685
Provisions		99,576	25,199	28,371
Deferred tax liability	10	52,037	153,295	118,519
Interest bearing loans	11	210,143	-	-
TOTAL LIABILITIES		710,487	453,658	465,755
NET ASSETS		754,805	408,724	366,509
Share capital	12	192,381	183,177	182,889
Merger reserve	12	225,446	-	-
Other reserves	13	28,008	25,576	22,889
Currency translation reserve		(12,821)	-	-
Accumulated funds		321,791	199,971	160,731
TOTAL EQUITY		754,805	408,724	366,509

Serica Energy plc
Group Statement of Changes in Equity

Group

	Share capital £000	Merger and Other reserves £000	Currency translation reserve £'000	Accumulated funds £000	Total £000
At 1 January 2022 (audited)	181,993	22,066	-	68,469	272,528
Profit for the year	-	-	-	177,796	177,796
Total comprehensive income	-	-	-	177,796	177,796
Issue of shares	1,184	-	-	-	1,184
Share-based payments	-	3,510	-	-	3,510
Dividend payable	-	-	-	(46,294)	(46,294)
At 31 December 2022 (audited)	183,177	25,576	-	199,971	408,724
Profit for the period	-	-	-	175,472	175,472
Other comprehensive income	-	-	(12,821)	-	(12,821)
Total comprehensive income	-	-	(12,821)	175,472	162,651
Issue of shares	9,204	225,446	-	-	234,650
Share-based payments	-	2,432	-	-	2,432
Dividend payable	-	-	-	(53,652)	(53,652)
At 30 June 2023 (unaudited)	192,381	253,454	(12,821)	321,791	754,805

Serica Energy plc
Group Cash Flow Statement

	Six months ended 30 June 2023 £000 (Unaudited)	Six months ended 30 June 2022 £000 (Unaudited)	Year ended 31 Dec 2022 £000 (Audited)
Operating activities:			
Profit for the period	175,472	116,729	177,796
Adjustments to reconcile profit for the period to net cash flow from operating activities:			
Taxation charge	122,791	77,746	310,382
Change in fair value of BKR financial liability	1,469	1,899	(8,407)
Gain on acquisition	(139,559)	-	-
Net finance (income)/costs	(686)	(35)	(3,870)
Depletion	74,697	25,529	76,887
Oil and NGL over/underlift movement	(13,770)	1,700	20,270
E&E asset write-offs	5,732	-	82,749
Unrealised hedging (gains)/losses	(20,460)	56,390	(20,877)
Contract revenue	(825)	(27,523)	(37,505)
Share-based payments	2,432	823	3,510
Other non-cash movements	3,182	(2,042)	(1,503)
Hedging security advances	24,320	(44,990)	91,070
Decrease/(increase) in receivables	65,646	48,787	(8,571)
(Increase)/decrease in inventories	(134)	(475)	55
(Decrease)/increase in payables	(33,475)	12,423	22,872
Cash inflow from operations	265,832	266,961	704,858
Taxation paid	(140,826)	-	(143,500)
Decommissioning spend	(28)	-	(1,218)
Net cash inflow from operating activities	124,978	266,961	560,140
Investing activities:			
Interest received	7,028	345	4,499
Purchase of E&E assets	(5,604)	(7,305)	(80,801)
Purchase of property, plant & equipment	(13,396)	(13,614)	(16,298)
Cash outflow from business combinations	-	(93,870)	(93,871)
Acquisition of subsidiary, net of cash acquired	(44,036)	-	-
Net cash outflow from investing activities	(56,008)	(114,444)	(186,471)
Financing activities:			
Issue of ordinary shares	374	896	1,184
Transaction costs on issue of shares	(1,249)	-	-
Repayment of borrowings	(47,940)	-	-
Payments of lease liabilities	(296)	(87)	(132)
Dividends paid	-	-	(46,294)
Finance costs paid	(5,520)	(34)	(385)
Net cash (out)/inflow from financing activities	(54,631)	775	(45,627)
Cash and cash equivalents			
Net increase in period	14,339	153,292	328,042

Effect of exchange rates on cash and cash equivalents	(2,861)	2,042	1,503
Amount at start of period	432,529	102,984	102,984
Amount at end of period	444,007	258,318	432,529

Serica Energy plc

Notes to the Unaudited Consolidated Financial Statements

1. Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors on 18 September 2023.

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

2. Basis of preparation and accounting policies

Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

These unaudited interim consolidated financial statements of the Group have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended 31 December 2022. These unaudited interim consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the consolidated financial statements and the notes thereto in the Serica Energy plc annual report for the year ended 31 December 2022. A number of amendments to existing standards and interpretations were effective from 1 January 2023, as was IFRS 17 *Insurance Contracts*, but there was no impact on the 1H 2023 condensed consolidated financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

Consolidated statutory accounts for the year ended 31 December 2022, on which the auditors gave an unqualified audit report, have been filed with the registrar of Companies. The report of the auditors included in that 2022 Annual Report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

Going Concern

The Directors are required to consider the availability of resources to meet the Group's liabilities for the period ending 31 December 2024, the 'going concern period'. The financial position of the Group, its cash flows and capital commitments are described in the Financial Review above.

Following completion of Serica's acquisition of Tailwind Energy Investments Ltd on 23 March 2023 the Serica Group's going concern considerations now include a US$377 million assumed RBL facility. See note 11 for further details of the RBL facility. The acquisition of Tailwind gives the Group increased production and operating cash flows, a balance in product mix between gas and oil, and two main operating hubs which reduces the potential impact of production interruptions. Serica currently has competitive operating costs per boe and its capital commitments can be funded from existing cash resources.

The Group regularly monitors its cash, funding and liquidity position, including available facilities and compliance with facility covenants. Near term cash projections are revised and underlying assumptions reviewed, generally monthly, and longer-term projections are also updated regularly. Downside price and other risking scenarios are considered. In addition to commodity sales prices the Group is exposed to potential production interruptions and these are also considered under such scenarios. In recent years, management has given priority to building a strong cash reserve which can respond to different types of risk.

As at 30 June 2023 the Group held cash and term deposits of £444.0 million including £18.1 million of restricted funds, with separate RBL liquidity headroom of US$107 million (US$270 million drawn versus US$377 million available).

For the purposes of the Group's going concern assessment we have reviewed two cash projections for the going concern period. These projections cover a base case forecast and an extreme stress test scenario for the combined operations of the Group, including both legacy Tailwind and Serica assets. RBL repayments have been assumed based on the current redetermination and no covenant compliance matters noted.

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

The stress test assumptions assume commodity pricing of £1/therm for gas and US$70/bbl for oil for Q4 2023, a full six-month shut-in of all production for 1H 2024, followed by a return to base case production in 2H 2024 to the end of the going concern period at 31 December 2024. Lower commodity pricing of 75 pence/therm and US$50/bbl oil are assumed for the 2H 2024 period in this scenario which are significantly below the range of current market expectations for the going concern period. Under this scenario, which would result in lower cash inflows and repayments of the RBL facility as redetermined, the Group was able to maintain sufficient cash to meet its obligations and maintain covenant compliance. A number of mitigating factors and mitigating actions that are under management control are available to management in the stress test event. These would mitigate the reduced operating cash outflows experienced and are not included in the projection.

After making enquiries and having taken into consideration the above factors, the Directors considered it appropriate that the Group has adequate resources to continue in operational existence for the going concern period. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Significant accounting policies

A number of new standards, amendments to existing standards and interpretations were applicable from 1 January 2023. The adoption of these amendments did not have a material impact on the Group's interim condensed consolidated financial statements for the period ended 30 June 2023.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022. The impact of seasonality or cyclicality on operations is not considered significant on the interim consolidated financial statements.

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Serica Holdings UK Limited, Serica Energy Holdings BV, Serica Energy Corporation, Asia Petroleum Development Limited, Petroleum Development Associates (Asia) Limited, Serica Energy (UK) Limited, PDA Lematang Limited, Serica Glagah Kambuna BV, Tailwind Energy Investments Ltd, NSV Energy Limited, Tailwind Energy Ltd, Tailwind Mistral Ltd, Tailwind Energy Sirocco Ltd, Tailwind Energy Chinook Ltd and Tailwind Energy Bora Ltd. Together, these comprise the "Group".

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

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

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

3. Segmental Information

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

4. Sales Revenue

	Six months ended 30 June 2023 £000	Six months ended 30 June 2022 £000	Year ended 31 Dec 2022 £000
Gas sales	215,782	266,089	652,680
Gas supply contract revenue	825	27,523	37,505
Total gas sales	216,607	293,612	690,185
Oil sales	112,729	41,185	88,048
NGL sales	11,284	18,675	34,190
Total revenue	340,620	353,472	812,423

Gas supply contract revenue in 2022 and 1H 2023 arose from the unwind of gas contract liabilities initially recognised upon the restructuring of certain gas swaps to other fixed price instruments under a gas sales contract in August 2021.

5. Cost of sales

	Six months ended 30 June 2023 £000	Six months ended 30 June 2022 £000	Year ended 31 Dec 2022 £000
Operating costs	99,559	59,117	120,998
Movement in liquids overlift/underlift	(13,770)	1,700	20,270
Depletion (note 9)	74,697	25,529	76,887
	160,486	86,346	218,155

6. Group Operating Profit

	Six months ended 30 June 2023 £000	Six months ended 30 June 2022 £000	Year ended 31 Dec 2022 £000
Realised hedging losses	(12,961)	(13,203)	(45,384)
Unrealised hedging gains/(losses)	20,460	(56,390)	20,877

Derivative financial instruments
The Group enters into derivative financial instruments with various counterparties. Other derivative financial instruments held at 31 December 2022 comprised gas swaps which were valued by counterparties, with the valuations reviewed internally and corroborated with readily available market data of forward gas pricing (level 2). No gas swap derivative financial instruments were held at 30 June 2023.

Details of the Group's derivative financial instruments held as at 30 June 2023 are provided in the financial review above.

Realised hedging losses comprise losses realised on 1H 2023 gas price swaps.

Unrealised hedging gains comprise gains on gas swaps partially offset by unrealised losses on the UKA ETS swap instruments held. Unrealised hedging gains on gas and other swaps comprise unrealised charges on the movement during 1H 2023 in the calculated fair value liability of outstanding gas price or other derivative contracts measured at the respective Balance Sheet dates.

7. Dividends payable

A final cash dividend for 2022 of 14.0 pence per share was proposed in April 2023 and approved at the annual general meeting on 29 June 2023. Following the approval in the 1H 2023 period, the dividend payable of £53.7 million is recognised as a liability in the Balance Sheet at 30 June 2023. The dividend was paid in July 2023.

Dividends on ordinary shares paid in 2022

A final cash dividend for 2021 of 9.0 pence per share was proposed in April 2022 and approved at the annual general meeting on 30 June 2022. Following the approval in the 1H 2022 period, the dividend payable of £24.5 million was recognised as a liability in the Balance Sheet at 30 June 2022. The dividend was paid in July 2022.

An interim cash dividend for 2022 of 8.0 pence per share was announced in September 2022 and was paid in November 2022.

8. Exploration and Evaluation Assets

	Total £000
Cost:	
At 1 January 2022	2,949
Additions	80,801
Asset write-offs	(82,749)
At 31 December 2022	1,001
Acquisitions	-
Additions	5,604
Asset write-offs	(5,732)
Currency translation adjustment	(4)
At 30 June 2023	869
Net Book Amount:	
30 June 2023	869
31 December 2022	1,001
1 January 2022	2,949

The E&E asset write-offs for 1H 2023 of £5.7 million (2022: £82.7 million) primarily comprised drilling costs from the North Eigg exploration well and minor costs associated with the P2506 licence. The well encountered hydrocarbons but not of commercial quantities as the reservoir sands were thinner than prognosed.

9. Property, Plant and Equipment

	Oil and gas properties	Fixtures and fittings	Right-of-use assets	Total
	£000	£000	£000	£000
Cost:				
At 1 January 2022	466,554	212	516	467,282
Additions	15,953	-	345	16,298
Decommissioning asset	(2,231)	-	-	(2,231)
At 31 December 2022	480,276	212	861	481,349
Acquisitions (note 11)	703,963	-	-	703,963
Additions	13,396	-	-	13,396
Currency translation adjustment	(20,074)	-	-	(20,074)
At 30 June 2023	1,177,561	212	861	1,178,634
Depreciation and depletion:				
At 1 January 2022	137,698	167	473	138,338
Charge for the period (note 5)	76,887	45	172	77,104
At 31 December 2022	214,585	212	645	215,442
Charge for the period (note 5)	74,697	-	86	74,783
Currency translation adjustment	(462)	-	-	(462)
At 30 June 2023	288,820	212	731	289,763
Net book amount:				
At 30 June 2023	888,741	-	130	888,871
At 31 December 2022	265,691	-	216	265,907
At 1 January 2022	328,856	45	43	328,944

Acquisition of Tailwind Energy Investments Limited
On 23 March 2023 the Group acquired Tailwind Energy Investments Limited, which included oil and gas assets in the UK North Sea, resulting in an acquisition of assets (see note 11) with a value of £704.0 million allocated to property, plant and equipment.

Depreciation and depletion
Depletion charges on oil and gas properties are classified within ‘cost of sales’. Depreciation on other elements of property, plant and equipment is provided on a straight-line-basis and taken through general and administration expenses.

10. Taxation

The major components of income tax charged in the consolidated income statement are:

	Six months ended 30 June 2023 £000	Six months ended 30 June 2022 £000	Year ended 31 Dec 2022 £000
Current income tax charge	131,752	79,835	277,695
Deferred income tax (credit)/charge	(8,961)	(2,089)	32,687
Total taxation charge for the period	122,791	77,746	310,382

The deferred tax included in the Balance Sheet is as follows:

	30 June 2023 £000	31 December 2022 £000
Deferred tax assets	405,773	12,924
Deferred tax liabilities	(457,810)	(166,219)
Total deferred tax (liability)/asset	(52,037)	(153,295)

Reconciliation of net deferred tax liability	£000
At 1 January 2023	(153,295)
Acquisitions (see note 11)	95,024
Tax credit for the period recognised in profit	8,961
Currency translation adjustment	(2,727)
At 30 June 2023	(52,037)

Recognised and unrecognised tax losses
The Group's Balance Sheet net deferred tax liability amount of £153.3 million as at 31 December 2022 and £52.0 million as at 30 June 2023 arises from deferred tax liabilities primarily related to temporary differences on fixed assets and are partially offset by deferred tax assets recognised on ring-fence losses, decommissioning liabilities and other temporary differences.

The Group's deferred tax assets at 31 December 2022 and 30 June 2023 are recognised to the extent that taxable profits are expected to arise in the future against which tax losses and allowances in the UK can be utilised. In accordance with IAS 12 Income Taxes, the Group assessed the recoverability of its deferred tax assets at 30 June 2023 with respect to ring fence losses and allowances.

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

The Energy Profits Levy ('EPL') on the profits earned from the production of oil and gas in the UK was introduced in the previous period. From 1 January 2023, the EPL is charged at the rate of 35 per cent on taxable profits in addition to ring fence corporation tax of 30 per cent and the Supplementary Charge of 10 per cent. The EPL is a temporary measure and will cease to apply on 31 March 2028.

On 9 June 2023, the UK government proposed the introduction of the Energy Security Investment Mechanism (ESIM) which would end the imposition of EPL earlier than 31 March 2028 where certain conditions are met. Under the proposed ESIM, if both average oil and gas prices fall to, or below, US$71.40 per barrel for oil and 54p per therm for gas, for two consecutive quarters, then the EPL will be repealed and the headline tax rate on UK oil and gas profits will return to 40 per cent. The government subsequently confirmed that the measure would not be legislated for before the triggers are met and prices are not expected to fall to, or below, the quoted triggers before the existing EPL end date of 31 March 2028. The change as currently proposed is therefore not expected to have a material impact for the Group.

The interim tax charge for the Group's 1H 2022 results did not reflect an EPL charge as the legislation was not substantively enacted at 30 June 2022.

11. Acquisition of Tailwind Energy Investments Limited

On 23 March 2023, the Company acquired 100% of the shares of Tailwind Energy Investments Ltd for an initial purchase consideration of £297.4 million. This comprised cash of £61.6 million and the fair value of 108,170,426 ordinary shares in Serica Energy plc issued in exchange for all Tailwind shares. The fair value of the shares issued was calculated using the market price of the Company's shares of £2.18 on the AIM Market of the London Stock Exchange at its opening of business on 23 March 2023.

A further 2,877,698 ordinary shares have not yet been issued to the sellers but would form part of the maximum number of 111,048,124 ordinary shares that can be issued as part of the purchase consideration. These will only be issued to the extent there are no successful warranty claims and would be in addition to the initial purchase consideration noted above.

Tailwind's activities comprise development and production oil & gas assets in the UK North Sea. The acquisition of Tailwind was aimed at achieving Serica's longstanding objective to have a more diverse and broadly based UKCS portfolio of producing fields, with material reserves and value upside potential. The transaction represents substantial progress towards this objective with the number of producing fields increased from five to eleven, mainly centred around two hubs (Bruce and Triton), a substantial increase in 2P and 2C reserves and a balance of gas and oil production.

The combination of transactions is an acquisition of interests in a joint operation under IFRS 11 and, as the activity constitutes a business as defined in IFRS 3 Business Combinations, the acquisitions have been accounted for as a business combination. The consolidated financial statements include the provisional fair values of the identifiable assets and liabilities as at the date of acquisition 23 March 2023, and the results of the combined transaction assets for the three month period from the acquisition date.

Assets acquired and liabilities assumed at date of acquisition	Fair value recognised on acquisition £000
Assets	
Property, plant and equipment (note 9)	703,963
Exploration and evaluation assets	-
Deferred tax asset/(liability) (note 10)	95,024
Debtors and other assets	55,559
Inventory	5,440
Cash and cash equivalents	17,600
	877,586
Liabilities	
Trade and other payables	(58,146)
Financial liabilities	(3,839)
Provisions	(107,486)
Interest bearing loans	(264,835)
	(434,306)
Total identifiable net assets at fair value	**443,280**
Cash consideration	61,636
Initial consideration shares issued	235,812
Deferred consideration shares	6,273
Purchase consideration	**303,721**

Gain arising on acquisition	**139,559**

Fair value of consideration
The combined purchase consideration of the transaction was £303.7 million, which comprised cash of £61.6 million, the fair value of 108,170,426 ordinary shares in Serica Energy plc issued in exchange for all Tailwind shares, and the fair value of a further 2,877,698 ordinary shares which have not yet been issued to the sellers but would form part of the maximum number of 111,048,124 ordinary shares that can be issued as part of the purchase consideration. The fair value of the shares issued was calculated using the market price of the Company's shares of £2.18 on the AIM Market of the London Stock Exchange at its opening of business on 23 March 2023.

The gain arising on acquisition representing the excess of fair value of the net assets acquired over the purchase consideration largely arose due to a reduction in the value of consideration paid based on the market price of shares issued at the completion date of 23 March 2023.

The excess of fair value of the net assets acquired over the purchase consideration has been recognised as a gain on acquisition in the income statement.

The initial accounting for the acquisition of the transaction assets has only been provisionally determined at the end of the reporting period. At the date of finalisation of these financial statements, the necessary market valuations and other calculations have not been finalised and they have therefore been provisionally determined based on the Directors' best estimates. The fair value of the net asset may be subsequently adjusted, with a corresponding adjustment to the gain on acquisition prior to 23 March 2024 (one year after the transaction).

From the date of acquisition, the Tailwind assets have contributed £100.0 million of revenue and £24.9 million of profit before tax in the period ended 30 June 2023. Had the acquisition occurred on 1 January 2023, the Tailwind assets would have contributed £195.7 million of revenue and £61.5 million of profit before tax for the six months ended 30 June 2023.

Transaction costs of £1.8 million incurred in 2022 and £8.6 million in 1H 2023 have been expensed in the Income Statement.

Reserve Based Lending facility arrangements

Following completion of the acquisition on 23 March 2023, the Serica Group now has reserve-based lending and junior facility arrangements that are linked to the legacy Tailwind sub-group. This has a reserve-based lending facility (RBL) of US$425 million from a syndicate of banks, secured over the Tailwind sub-group's oil and gas assets. Commitments were reduced to US$378 million effective 30 June 2023 in accordance with the facility amortisation schedule. Interest accrues at LIBOR/SOFR plus a margin of between 2.5% to 3.1% depending on the maturity of the facility. The Tailwind sub-group is primarily exposed to 1 month term SOFR after 30 June 2023. The facility has a maturity date of 30 June 2027 and at the last RBL redetermination in June 2023, the facility available for drawdown was amended to US$377 million. At the acquisition date of 23 March, the facility was drawn by US$330 million. During Q2 2023, US$60 million of repayments were made and the facility was drawn by US$270 million (£213.2 million) at 30 June 2023. The balance of the loan in the 30 June 2023 Balance Sheet of £210.1 million represents drawings of £213.2 million disclosed net of unamortised facility fees of £3.1 million.

On 24 September 2019, the Tailwind sub-group also entered in a Junior Facility agreement with Mercuria Energy Trading S.A. for a facility of US$50.0 million available on demand and with a maturity of 24 September 2026. This is a committed facility and funds can be utilised at Serica's discretion. There were no drawdowns on this facility as at the completion date of 23 March 2023 or to date thereafter.

12. Equity Share Capital

As at 30 June 2023, the share capital of the Company comprised one "A" share of £50,000 and 383,231,908 ordinary shares of US$0.10 each. The "A" share has no special rights.

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

Allotted, issued and fully paid: **Group**	Number	Share capital £000	Share Premium £000	Total Share capital £000
At 1 January 2022	268,891,044	21,186	160,807	181,993
Shares issued	4,062,328	328	856	1,184
At 31 December 2022	272,953,372	21,514	161,663	183,177
Shares issued	110,278,537	8,944	260	9,204
At 30 June 2023	383,231,909	30,458	161,923	192,381

During 1H 2023, 2,108,111 ordinary shares were issued to satisfy awards under the Company's share-based incentive schemes and 108,170,426 ordinary shares were issued in connection with the acquisition of Tailwind Energy Investments Ltd (see note 10).

Merger relief was applied by the group's parent entity Serica Energy plc upon the issue of the 108,170,426 ordinary shares for the acquisition of Tailwind Energy Investments Ltd. The valuation of the shares issued was based on the fair value at the date of issue, with the nominal value of the shares issued credited to share capital and the excess value above nominal share capital credited to a merger reserve in the consolidated Group accounts.

3,675,175 ordinary shares have been issued in Q3 2023 to date and as at 15 September 2023 the issued voting share capital of the Company was 386,907,083 ordinary shares and one "A" share.

13. Share-Based Payments

Share Option Plans

The Company operates three discretionary incentive share option plans: the Serica Energy plc Long Term Incentive Plan (the "LTIP"), which was adopted by the Board on 20 November 2017 which permits the grant of share-based awards, the 2017 Serica Energy plc Company Share Option Plan ("2017 CSOP"), which was adopted by the Board on 20 November 2017, and the Serica 2005 Option Plan, which was adopted by the Board on 14 November 2005. Awards can no longer be made under the Serica 2005 Option Plan. However, options remain outstanding under the Serica 2005 Option Plan. The LTIP and the 2017 CSOP together are known as the "Discretionary Plans".

The Discretionary Plans will govern all future grants of options by the Company to Directors, officers, key employees and certain consultants of the Group. The Directors intend that the maximum number of ordinary shares which may be utilised pursuant to the Discretionary Plans will not exceed 10% of the issued ordinary shares of the Company from time to time in line with the recommendations of the Association of British Insurers.

The objective of these plans is to develop the interest of Directors, officers, key employees and certain consultants of the Group in the growth and development of the Group by providing them with the opportunity to acquire an interest in the Company and to assist the Company in retaining and attracting executives with experience and ability.

Serica 2005 Option Plan
As at 30 June 2023, 3,750,000 options granted by the Company under the Serica 2005 Option Plan were outstanding and all were exercisable. All options awarded under the Serica 2005 Option Plan since November 2009 have a three-year vesting period. No options were granted in 2022 or 1H 2023 under the Serica 2005 Option Plan.

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

		WAEP
		£
Outstanding at 31 December 2022	3,900,000	0.14
Exercised during the period	(150,000)	0.13
Outstanding at 30 June 2023	3,750,000	0.14

Long Term Incentive Plan
The following awards granted to certain Directors and employees under the LTIP are outstanding as at 30 June 2023.

Deferred Bonus Share Awards
Deferred Bonus Share Awards involve the deferral of bonuses into awards over shares in the Company. They are structured as nil-cost options and may be exercised up until the fifth anniversary of the date of grant. The 726,000 Deferred Bonus Share Awards outstanding and fully vested at 31 December 2022 were all exercised in 1H 2023 prior to their expiry date in May 2023. There are no Deferred Bonus Share Awards outstanding at 30 June 2023.

Performance Share Awards
Performance Share Awards have a three-year vesting period and are subject to performance conditions. Performance Share Awards are structured as nil-cost options and may be exercised up until the tenth anniversary of the date of grant.

Performance and Retention Share Awards	Number
Outstanding as at 1 January 2022	14,448,764
Granted during the year	665,632
Exercised during the year	(1,787,829)
Outstanding as at 31 December 2022	13,326,567
Granted during the period	1,075,668
Exercised during the period	(1,970,138)
Lapsed during the period	(267,826)
Outstanding as at 30 June 2023	12,164,271
Exercisable as at 31 December 2022	7,264,623
Exercisable as at 30 June 2023	7,965,766

LTIP awards in 2023

In May 2023, the Company granted nil-cost Performance Share Awards over 1,075,668 ordinary shares under the LTIP. The award was made to members of the Group's executive team and senior management.

The vesting criteria are based on absolute share price performance over a three-year period and specific performance targets related to carbon emissions from operations over the same period. For the awards to vest in full, the highest average share price must be at least equal to 500p during the 180 day period terminating on the end of the performance period together with a significant decrease in carbon emissions per barrel of oil equivalent produced. All of the total awards were outstanding and are not exercisable at 30 June 2023.

Calculation of Share-based Compensation

The Company calculates the value of share-based compensation using a Black-Scholes option pricing model (or other appropriate model for those options subject to certain market conditions) to estimate the fair value of share options at the date of grant. There are no cash settlement alternatives. The estimated fair value of options is amortised to expense over the options' vesting period.

£2,432,000 has been charged to the income statement for the six-month period ended 30 June 2022 (1H 2022 – £823,000) and a similar amount credited to the share-based payments reserve, classified as 'Other reserve' in the Balance Sheet.

14. Publication of Non-Statutory Accounts

The financial information contained in this interim statement does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2022, which are available at the Company's registered office at 48 George Street, London W1U 7DY and on its website at www.serica-energy.com and on SEDAR at www.sedar.com.

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

GLOSSARY

bbl	barrel of 42 US gallons
bcf	billion standard cubic feet
boe	barrels of oil equivalent (barrels of oil, condensate and NGLs plus the heating equivalent of gas converted into barrels at the appropriate rate)
BKR	Bruce, Keith and Rhum fields
CPR	Competent Persons Report
ESG	Environmental, Social and Governance
FDP	Field Development Plan
FPS	Forties Pipeline System
HPHT	High pressure high temperature
mscf	thousand standard cubic feet
mmbbl	million barrels
mmboe	million barrels of oil equivalent
mmscf	million standard cubic feet
mmscfd	million standard cubic feet per day
NBP	National Balancing Point for pricing and delivery of gas sales
NGLs	Natural gas liquids extracted from gas streams
NTS	National Transmission System
Overlift	Volumes of oil or NGLs sold in excess of volumes produced
Underlift	Volumes of oil or NGLs produced but not yet sold
P10	A high estimate that there should be at least a 10% probability that the quantities recovered will actually equal or exceed the estimate
P50	A best estimate that there should be at least a 50% probability that the quantities recovered will actually equal or exceed the estimate
P90	A low estimate that there should be at least a 90% probability that the quantities recovered will actually equal or exceed the estimate
Pigging	A process of pipeline cleaning and maintenance which involves the use of devices called pigs
Proved Reserves	Proved reserves are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves
Probable Reserves	Probable reserves are those additional Reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves
Possible Reserves	Possible reserves are those additional Reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves
Reserves	Estimates of discovered recoverable commercial hydrocarbon reserves calculated in accordance with the revised June 2018 Petroleum Resources Management System (PRMS) version 1.01 (November 6th, 2018) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE)
Tcf	trillion standard cubic feet
UKCS	United Kingdom Continental Shelf